DOCUMENT RESUME

ED 207 724 PS 012 457

TITLE	Head Start: An Effective Program But the Fund Distribution Formula Needs Revision and Management Controls Need Improvement. Report to the Congress of the United States by the Comptroller General.
INSTITUTION	Comptroller General of the U.S., Washington, D.C.
REPORT NO	HRD-81-83
PUB DATE	23 Jul 81
NOTE	107p.
AVAILABLE FROM	U.S. General Accounting Office, Document Handling and Information Services Facility, P.O. Box 6015, Gaithersburg, MD 20760 (First 5 copies free of charge; Additional copies, $1.00 each, 25% discount on orders of 100 or more copies. Make check payable to Superintendent of Documents).
EDRS PRICE	MF01/PC05 Plus Postage.
DESCRIPTORS	Economically Disadvantaged; *Educational Administration; Educational Legislation; Educational Planning; *Educational Quality; Enrollment Rate; *Finance Reform; Financial Needs; *Government Role; Organizational Effectiveness; *Preschool Education; Program Costs; *Program Development; Program Effectiveness; Staff Utilization
IDENTIFIERS	*Project Head Start

ABSTRACT

This report from the Comptroller General to the United States Congress finds Head Start to be an effective program whose fund distribution formula needs revision and whose management controls need improvement. Head Start's funding for enrollment and operating costs increased significantly between 1977-81. However, these funding increases were not matched by sustained nationwide efforts to increase enrollments and maintain high program quality. Program quality is considered threatened by a trend among grantees to reduce services. It is recommended that Congress revise the method of distributing funds in order to assure that adequate funding increases are made available to grantees prior to the authorization to increase enrollments. Improvements needed in Head Start's partially completed system of management control are suggested; included is discussion of possible changes in planning, the management information system, program monitoring and federal staffing, and administrative support. Appendices record grantees and regional offices of the Department of Health and Human Services visited by the General Accounting Office, detail estimated unmet needs by States, and estimated average cost per child in Head Start full year and parent and child centers, indicate distribution of annual Head Start appropriations, and list data collection instruments and previous General Accounting Office reports on Head Start. (Author/DB)

****
* Reproductions supplied by EDRS are the best that can be made *
* from the original document. *
****

ED207724

BY THE COMPTROLLER GENERAL

Report To The Congress

OF THE UNITED STATES

Head Start: An Effective Program But The Fund Distribution Formula Needs Revision And Management Controls Need Improvement

U.S. DEPARTMENT OF EDUCATION
NATIONAL INSTITUTE OF EDUCATION
EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)

X This document has been reproduced as received from the person or organization originating it.
Minor changes have been made to improve reproduction quality.

• Points of view or opinions stated in this document do not necessarily represent official NIE position or policy.

Funding for enrollment and operating costs in Head Start, the program providing comprehensive services to economically disadvantaged preschool children and their families, has increased significantly since 1977.

However, the increased enrollments envisioned by the Congress and the congressional mandate to maintain high program quality have not been sustained nationwide. To cope with funding problems concerning these issues, the Congress should revise the method of distributing funds to assure that adequate increases are made available to grantees before enrollment expansion is authorized.

This report also discusses Head Start's partially completed system of management control which should be strengthened. Improvements are needed in planning, the management information system, program monitoring and Federal staffing, and administrative support.

PS 014157

HRD-81-83
JULY 23, 1981

Request for copies of GAO reports should be sent to:

U.S. General Accounting Office
Document Handling and Information
Services Facility
P.O. Box 6015
Gaithersburg, Md. 20760

Telephone (202) 275-6241

The first five copies of individual reports are free of charge. Additional copies of bound audit reports are $3.25 each. Additional copies of unbound report (i.e., letter reports) and most other publications are $1.00 each. There will be a 25% discount on all orders for 100 or more copies mailed to a single address. Sales orders must be prepaid on a cash, check, or money order basis. Check should be made out to the "Superintendent of Documents".

COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON D.C. 20548

B-203614

To the President of the Senate and the
Speaker of the House of Representatives

The Head Start program has evolved from a demonstration project into the largest preschool child development program in this country. This report discusses how funding problems and an inadequate management control system could affect enrollment levels and program quality.

The Department of Health and Human Services (HHS) was asked to comment on a draft of this report, but was unable to do so within the 30 days required by Public Law 96-226. Therefore, we are publishing the report without official agency comments.

We are sending copies of this report to the Director, Office of Management and Budget, and the Secretary of HHS.

Milton J. Socolar

Acting Comptroller General
of the United States

COMPTROLLER GENERAL'S
REPORT TO THE CONGRESS

HEAD START: AN EFFECTIVE PROGRAM BUT THE FUND DISTRIBUTION FORMULA NEEDS REVISION AND MANAGEMENT CONTROLS NEED IMPROVEMENT

D I G E S T

Since Head Start was established in 1965, it has progressed from a demonstration project to become the largest comprehensive preschool child development program in the United States. In fiscal year 1980, the program was providing services to about 373,000 children and their families located in all States, the District of Columbia, the Virgin Islands, American Samoa, Guam, and the Pacific Islands Trust Territory.

Studies performed early in the program's history, when about two-thirds of the total enrollment was in summer projects, tended to show that Head Start participants were not appreciably different, developmentally, from their non-Head Start peers once they reached elementary school. However, summer enrollment has declined to about 4 percent of the total enrollment while full-year projects predominate, and more recent studies show generally favorable results concerning the effectiveness of the Head Start program. Required services are being delivered to a high percentage of program participants, and good results are being achieved in all program components. (See p. 7.) However, grantees in some States have not received sufficient additional funding to offset rapidly escalating operating costs (see p. 16), and a trend of service reductions has developed. (See p. 31.) In addition, the system of management control is not yet adequate to serve the needs of the program. (See p. 42.)

PROBLEMS WITH ALLOCATING FUNDS AMONG STATES

The Congress established a mandatory formula in 1975 for allocating the Head Start annual appropriation to all States and territories, the Indian and Migrant Program Division, and the Office of the Secretary of the Department of Health and Human Services (HHS) for discretionary use. The formula was intended to gradually correct some imbalances in the distribution of Head Start funds among States--some with large

poverty populations were receiving less funding than other States with smaller poverty populations.

The 1975 formula was used to allocate funds to States in fiscal years 1976 and 1977, but congressional review of HHS' proposed allocation of the fiscal year 1978 appropriation disclosed that HHS may not have interpreted the legislative formula in accordance with congressional intent. (See pp. 20 to 22.) The 1978 Head Start reauthorization legislation also revised the 1975 allocation formula and provided additional instructions for computing State allotments.

The Head Start funding for fiscal year 1978 included an increase of $150 million over the fiscal year 1977 funding level. About 75 percent of the increase was for expansion of enrollment and the remainder was for increased operating costs. An additional $55 million was funded for fiscal year 1979, allowing some enrollment expansion to occur and operating cost adjustments to be given to grantees ranging from 4.04 to 8.3 percent. In fiscal year 1980, an additional $55 million was funded but HHS planned no enrollment expansions because all the new funds were needed by grantees to offset higher operating costs. The fiscal year 1981 funding of $820 million represents an increase of $85 million, or 11.6 percent above the funding level for fiscal year 1980.

GAO noted that the redistribution of increased Head Start funding in 1978, 1979, and 1980 has been done in accordance with the congressionally mandated formula and is resulting in a gradual shifting of funds among the States based on poverty populations. (See pp. 24 and 25.) However, many States have not received sufficient new funding to increase their Head Start enrollments in accordance with congressional intent. In addition, since the operating cost increases have not always been sufficient to offset the higher costs and maintain program quality, enrollment reductions occurred in fiscal years 1979 and 1980. As a result, the actual percent of eligible children served by Head Start in 1980 (19.5 percent) is about the same as the percent served before the major expansion in 1978 (18.9 percent). (See p. 28.)

RECOMMENDATIONS TO THE CONGRESS

GAO recommends that the Congress consider modifying the funding distribution formula to ensure that sufficient operating cost increases are provided to all States so that grantees can maintain their enrollment and service levels before any funds are provided for expansion of enrollments. The Congress should also consider placing a moratorium on further expansion of Head Start until such time that sufficient funding is made available to expand enrollment and to provide operating cost increases to all States. (See p. 30.)

REDUCTIONS IN SERVICES TO PROGRAM PARTICIPANTS

Head Start legislation requires that programs and projects be operated in accordance with its performance standards. These standards establish the functions, activities, and facilities required to meet the goals and objectives of the program. (See pp. 31 and 32.) However, GAO found that program quality is being threatened by a trend to reduce comprehensive services to children and families because of insufficient funding to maintain service levels while operating costs are escalating. These reductions include the weeks of classroom operation per year, the hours of operation per day, the numbers of paid positions, and many other cutbacks. (See pp. 32 to 37.)

Many grantees, however, are not finding it necessary to reduce services. This condition points to the need for the Administration on Children, Youth, and Families to gather and analyze grantees' costs of services. The Administration uses average Federal cost per child as the basis for assessing the performance of its grantees and when making project funding decisions. However, GAO found that the average Federal cost per child varies a great deal countrywide and believes that it is not an adequate basis for funding decisions. (See pp. 39 and 40.) Because full-year programs may operate as little as 480 hours or as much as 1,440 hours per year, a more accurate unit of cost for analysis purposes is the annual cost per child/per hour of contact.

Tear Sheet

RECOMMENDATIONS TO THE SECRETARY OF HHS

GAO recommends that the Secretary direct the Commissioner of the Administration on Children, Youth, and Families to:

--Gather and analyze data on the average cost per child and per child contact hour to assist its regional offices to make the most equitable distribution of Federal funds to grantees within their regions. (See p. 41.)

--Initiate an effort to gather information from grantees on reductions in Head Start services to children and their families to ascertain the extent of service reductions nationwide. (See p. 41.)

MANAGEMENT CONTROL SYSTEM PROBLEMS

A management control system helps to carry out all duties and responsibilities as efficiently and economically as possible. The more important elements of such a system are organization, policies, procedures, personnel, planning, accounting, reporting, and evaluation. Although the Administration on Children, Youth, and Families has taken some actions toward establishing a management control system, GAO found that they are not yet adequate to serve the needs of the Head Start program because:

--There is no formal overall long-range planning system. Some long-range planning was done in the past, and some planning for certain program components and administrative functions is now being done. (See p. 44 to 48.)

--Head Start has no computerized system for collecting current program and financial information about its grantees into a common data base which can be accessed by regional and headquarters management. Head Start could benefit in several ways from a well designed computerized information system. (See pp. 48 to 53.)

--Monitoring of grantees' performance is accomplished through three formal monitoring systems supplemented by less formal processes. Although

they are fundamentally sound, the formal monitoring systems are not working as well as they should and do not provide adequate information to determine whether grantees are operating in compliance with prescribed performance standards and Federal grant provisions. In addition, many grantees have not been in compliance with program requirements for long time periods. (See pp. 53 to 72.)

--Head Start staffing and funding for salaries and expenses have not kept pace with increases in program responsibilities since the early 1970s. (See pp. 73 to 81.)

RECOMMENDATIONS TO THE SECRETARY OF HHS

The Secretary should (1) direct the Commissioner of the Administration on Children, Youth, and Families to develop and implement an overall planning system for Head Start covering all program components and major functions and (2) assure that sufficient resources are available to operate the system. (See p. 48.)

The Secretary should also direct the Commissioner to:

--To develop and implement a management information system for Head Start. (See p. 53.)

--Take several actions needed to improve the three formal systems used in monitoring the performance of Head Start grantees and to bring grantees into compliance with program requirements. (See pp. 72 and 73.)

The Secretary should also direct the Assistant Secretary for Human Development Services to determine the staffing and other administrative requirements of the Head Start program, and if the Assistant Secretary finds that the Head Start program does not have the resources it needs, and if resources can be made available, GAO recommends that the Secretary furnish the staff and other resources necessary for the program to carry out its responsibilities. (See p. 82.)

Tear Sheet

- - - -

HHS was asked to comment on a draft of this report, but was unable to do so within the 30 days required by Public Law 96-226. Therefore, GAO published the report without official agency comments.

Contents

		Page
DIGEST		i
CHAPTER		
1	INTRODUCTION	1
	Brief history of the program	1
	Organization for program administration	1
	Head Start basic legislation and significant amendments	3
	Indications that Head Start has progressed from a demonstration project to an ongoing service program	4
	Objectives, scope, and methodology	5
2	EVALUATIONS HAVE SHOWN THAT HEAD START IS AN EFFECTIVE PROGRAM	7
	Objectives of program components	7
	Extent of program services delivery	8
	Studies indicate increases in program effectiveness	10
3	THE CONGRESS SHOULD CONSIDER FURTHER REVISION TO THE METHOD OF DISTRIBUTING FUNDS AMONG STATES	16
	Evolution of Head Start funding	17
	1978 legislation for appropriation and re-authorization of Head Start	20
	Redistribution of funds among States being achieved, as intended by the formula	24
	Major enrollment expansion of 1978 diminished by enrollment reductions in 1979 and 1980	25
	Large unmet need remains	27
	Conclusions	29
	Recommendations to the Congress	30
4	PROGRAM QUALITY THREATENED BY TREND AMONG GRANTEES TO REDUCE SERVICES TO CHILDREN	31
	The Congress supports the use of performance standards to achieve high quality programs	31
	Trend developing among Head Start grantees to reduce services to children	32
	Service reductions threaten program quality	37
	ACYF should gather and analyze grantees' costs of services	39
	Conclusions	41
	Recommendations to the Secretary of HHS	41

CHAPTER		Page
5	HEAD START NEEDS TO COMPLETE ITS MANAGEMENT CONTROL SYSTEM	42
	Objective and elements of a management control system	42
	Head Start should develop a long-range planning system	44
	Conclusions	48
	Recommendations to the Secretary of HHS	48
	A management information system is long overdue	48
	Conclusions	53
	Recommendation to the Secretary of HHS	53
	Systems for monitoring grantees need improvement	53
	Conclusions	72
	Recommendations to the Secretary of HHS	72
	Staffing levels and funds for administrative support have not kept pace with increased responsibilities	73
	Conclusions	82
	Recommendations to the Secretary of HHS	82
APPENDIX		
I	Grantees and HHS regional offices visited by GAO	83
II	Estimated unmet needs by States	84
III	Estimated average cost per child in Head Start full year and parent and child centers	86
IV	Distribution of annual Head Start appropriations	88
V	Major Head Start reports and other data collection instruments	89
VI	Comparison of organization in headquarters at January 1973 and February 29, 1980	90
VII	Previous GAO reports on the Head Start program	92

ABBREVIATIONS

ACYF	Administration for Children, Youth, and Families
AFDC	Aid to Families with Dependent Children
CRS	Congressional Research Service
GAO	General Accounting Office
HHS	Department of Health and Human Services
IMPD	Indian and Migrant Programs Division
OCD	Office of Child Development
OEO	Office of Economic Opportunity
OHDS	Office of Human Development Services
OMB	Office of Management and Budget
SAVI	Self-Assessment/Validation Instrument

BLANK
PAGE

CHAPTER 1

INTRODUCTION

The Head Start program in fiscal year 1980 completed its 16th year of operation. During this period, it has undergone a number of changes in its organizational affiliation, funding processes, policies, and operational procedures. Today the program is the largest comprehensive preschool child development program in the United States, having progressed from a demonstration project to an ongoing service program.

BRIEF HISTORY OF THE PROGRAM

Head Start was established in 1965 by the Office of Economic Opportunity (OEO) under general authority of the Economic Opportunity Act of 1964 (42 U.S.C. 2781). A basic concept of this act was the development of local community programs designed to eradicate poverty through the reduction of its causes. Head Start was to address the problems of young children in poverty, including poor nutrition, health status, and educational performance, before the child's entrance into the formal educational system. Founders of the program believed that by alleviating these problems, poor children would be better equipped to learn and would have improved chances to break the cycle of poverty. Subsequently, Head Start became an experimental demonstration program providing health, educational, nutritional, social, and other services, primarily to economically disadvantaged preschool children, their families, and their communities. Head Start has also been required to provide for direct parental participation in various aspects of the program.

Head Start began in 1965 as an 8-week summer program intended to serve 100,000 poor children. However, local community response was so great that the program actually served over 560,000 children that first summer in some 240 of the poorest counties in the United States (primarily in the southeast). Since that time, Head Start has evolved into the largest Federal child development program, and in fiscal year 1980, about 95 percent or 357,000 of the total 373,000 children enrolled participated in the Head Start program for a full academic year.

ORGANIZATION FOR PROGRAM ADMINISTRATION

Head Start was administered by OEO until July 1969, when the President delegated responsibility for the program to the Department

of Health and Human Services (HHS) 1/ because a study showed that HHS should provide a more suitable administrative framework and was already operating several other child-related programs along with research efforts which could benefit Head Start. The Office of Child Development (OCD) was established by HHS and located in the Office of the Assistant Secretary for Administration, Office of the Secretary, to administer Head Start and develop policies for program operations, financial planning, and evaluation. In April 1973, OCD was made part of the newly established Office of Human Development. After operating for about 5 years following delegation from OEO, the Congress recognized the transfer of Head Start to HHS in the Community Services Act of 1974 (Public Law 93-644). In August 1977, OCD was renamed the Administration for Children, Youth, and Families (ACYF).

HHS' 10 regional offices administer Head Start through grants to local nonprofit organizations, such as community action agencies, school districts, and Indian tribes. The 10 regional offices are responsible for processing grant applications, providing technical assistance to grantees, and monitoring grantees' operations. Many grantees operate the program themselves and others contract with organizations, referred to as delegate agencies, for all or part of program operations. As of fiscal year 1979 there were about 1,180 grantees and about 697 delegate agencies. Grantees and delegate agencies generally provide services at different locations throughout their target areas. Each location is called a center and each center may have one or more classrooms.

Geographic distribution, funding, and enrollment

Head Start programs are located in all States, the District of Columbia, Puerto Rico, the Virgin Islands, American Samoa, Guam, and the Pacific Islands Trust Territory. In fiscal year 1980, Head Start was providing services to about 2,100 counties, or 66 percent of the 3,145 counties in the United States.

Federal funds for the program's operation are provided by the Secretary of HHS, upon approved application, to eligible Head Start agencies, and are limited, generally, to 80 percent of the total costs of the program. During the 16-year period (1965-80), Federal funding for the program totaled about $6.5 billion, and the number of children served was about 7.5 million. Through the years, as summer programs have been gradually phased out, total enrollment has declined from a high of 733,000 in 1966 to about 373,000 in fiscal

---

1/Effective May 4, 1980, the Department of Health, Education, and Welfare was redesignated as HHS. Before that date, activities discussed in this report were the responsibility of the Department of Health, Education, and Welfare.

year 1980. However, Head Start funding has increased from $199 million in fiscal year 1966 to $820 million in fiscal year 1981. Cost increases are largely because the average cost per child in full-year programs is about five times as much as the average cost per child in summer programs.

HEAD START BASIC LEGISLATION AND SIGNIFICANT AMENDMENTS

The Economic Opportunity Act of 1964, as amended, originally provided for:

> "A program to be known as 'Project Headstart' focused upon children who have not reached the age of compulsory school attendance which (a) will provide such comprehensive health, nutritional, education, social and other services as the director finds will aid the children to attain their full potential and (b) will provide for direct participation of the parents of such children in the development, conduct, and overall program direction at the local level."

Legislation also provided for a continuing evaluation of Head Start programs.

Significant amendments to the basic legislation occurred as follows:

1966

--Local government oversight of programs was increased, and fiscal management was strengthened.

--Federal matching funds were limited to 80 percent of total program costs beginning in fiscal year 1968.

1967

--A three-part formula for allocating funds to States was prescribed. The Director of OEO was allowed discretion in the use of the formula.

--The "Follow Through" program was established which was to focus on continued services to kindergarten and elementary school children who had been enrolled in Head Start.

1969

--Participation of nonpoor children was allowed in the Head Start program.

1972

--Required that not less than 10 percent of the total enrollment opportunities in Head Start be available for handicapped children and that services be provided for their special needs.

From 1975 through 1978, Head Start programs were operated under the provisions of the Head Start, Economic Opportunity, and Community Partnership Act of 1974 (Public Law 93-644), which generally continued the program as described in the originating legislation as amended. However, this legislation contained two significant changes:

--The formula for allocating funds to States was restructured and made mandatory for the first time.

--The requirement in previous law that at least 10 percent of national enrollment opportunities be available for handicapped children was changed to require that the 10-percent quota be applicable to each State.

Authorization for continuing the program in fiscal years 1979-81 is contained in Public Law 95-568, enacted November 2, 1978. This act again continued the program as described, but specifically provided that Indian and migrant Head Start programs should

--not have available less funds for fiscal year 1979 and thereafter than the amounts obligated for their use in fiscal year 1978 and

--receive cost-of-living adjustments (which shall, at the minimum, reflect changes in the Consumer Price Index) in fiscal year 1979 and thereafter--this cost-of-living adjustment applies only to Indian and migrant Head Start programs.

INDICATIONS THAT HEAD START HAS PROGRESSED FROM A DEMONSTRATION PROJECT TO AN ONGOING SERVICE PROGRAM

The continuous growth of congressional funding, along with the shift in emphasis from summer programs to full-year programs, and the major enrollment expansion of 1978, indicate that Head Start has progressed from a demonstration project to an ongoing service program. Other indications, that Head Start is now viewed as an ongoing service program rather than as a demonstration project, follow:

--A congressional mandated fund allocation formula, established for the first time in 1975 and revised in 1978, which was intended to gradually correct major misalignments of funding among the States that had occurred in the past.

--Dialogue during congressional committee hearings concerned Head Start's large unmet need of about 80 percent of eligible children not served by Head Start, and it revealed congressional intent for continued expansion of Head Start enrollment.

--Funding over the past 4 years for operating cost increases to Head Start grantees to assist them in maintaining enrollment levels and high quality Head Start programs.

--Continued 3-year extensions of the Head Start program through fiscal year 1981.

OBJECTIVES, SCOPE, AND METHODOLOGY

We reviewed the management and administration of Head Start because the Congress has shown considerable interest in early childhood and family development. Our objective was to determine whether this program, which has progressed over the years from a demonstration project to an ongoing service program, is being effectively managed and administered by HHS.

Our review included discussions with key program officials in the Office of Human Development Services (OHDS) headquarters, ACYF, Head Start, and 5 of the 10 HHS regional offices. At these locations, we also interviewed key program and grants management personnel and reviewed numerous program evaluation studies, contractor reports, departmental audit reports, and other such documentary evidence as the handicap component plan, personnel staffing tables, budget information, and internal operating reports. These materials and oral interviews were used to substantiate statements made to us by program officials to develop what we judged to be accurate narrative descriptions of Head Start's accomplishments and its management and administrative policies and procedures. At all times, we were permitted unrestricted access to program officials and staff and to all Head Start files.

Our selection of the five Federal regions which we visited was judgmental, and it was made to give a broad coverage of program administration and management at the regional level. In making our selection, we considered the amount of program funding, size of enrollment, geographic distribution of the grantees, extent of enrollment expansion in 1978, and evidence of differing management

five regions was $299 million, or about 50 percent of all Head Start program funding. Children enrolled in full-year programs in these regions totaled about 172,710 or 50 percent of total Head Start full-year enrollment.

To help validate statements made to us by headquarters and regional officials and staff and our own analysis of documentation obtained at these locations, we interviewed management officials and staff and reviewed the files of 20 Head Start grantees in Alabama, Colorado, Maryland, Mississippi, Montana, Pennsylvania, South Dakota, Utah, and Wyoming. These projects are both urban and rural and, in making our judgmental selection, we considered the opinions of ACYF regional management and other information, such as evaluation reports indicating that some projects were capably managed while others were not.

We were not seeking to determine how well each Head Start grantee was being managed locally, but rather, whether the overall Head Start program has an effective management control system. The projects we selected ranged in size from a project with an authorized enrollment of 51 and annual Federal funding of about $17,000 to a project with an authorized enrollment of 4,950, funded at over $7.5 million during fiscal year 1979. There are about 1,200 grantees in the Head Start program, and their characteristics, such as funding, enrollment, location, and type of sponsorship, are quite diverse. Our small judgmental sample included as many of these characteristics as possible and was adequate, in our opinion, for obtaining the information needed to satisfy our objective. (See app. II for a list of the grantees and HHS regional offices.)

Throughout this report we refer to many reports and studies done by contractors and others which we did not independently validate, but which we found useful to help support our findings and conclusions. Several of these studies covering a period of years provide the principal support for our conclusion in chapter 2 that the Head Start program has demonstrated its effectiveness. Other studies by HHS contractors covering more recent time periods help support our conclusion in chapter 5 that Head Start needs to complete and strengthen its management control system. The reports and studies are identified by footnotes.

We also reviewed applicable Head Start legislation, regulations, and directives and congressional hearings and reports. In 1979, we attended the annual meeting of the National Head Start Association.

We have issued five previous reports identifying problems and accomplishments of the Head Start program. (See app. VII.)

CHAPTER 2

EVALUATIONS HAVE SHOWN THAT

HEAD START IS AN EFFECTIVE PROGRAM

Results of Head Start are measured in terms of the services rendered to children and their families and the extent to which program objectives have been achieved. Many evaluations have been made throughout the program's existence. The most recent evaluations show that the program has overcome some of its earlier problems, and it is producing favorable impacts on children, their families, and the communities where the programs operate. Past evaluations have usually focused on the objectives of one or more of the program's components.

OBJECTIVES OF PROGRAM COMPONENTS

Head Start has four major components. In 1975, program performance standards (162 standards for all the program components) were adopted to furnish criteria for determining whether Head Start programs were providing the services necessary to meet the goals of each of these components.

Education

The educational program is intended to meet each child's individual needs. Head Start projects are expected to provide children with a learning environment and varied experiences which will help them develop socially, intellectually, physically, and emotionally in a manner appropriate to their age and stage of development toward the overall goal of social competence.

Health

Comprehensive health services are intended to include a broad range of medical, dental, mental health, and nutritional services to all enrolled children, including the handicapped. These services consist of complete physical and dental examinations, vision and hearing tests, identification of handicapping conditions, and immunizations. Mental health professionals should also be available to Head Start children, their parents, and staff to assess mental health problems and to provide training and consultation services. Followup treatment should be provided for all types of health problems.

Nutrition is a separate part of the health component. Many children entering Head Start have not received proper nutrition at home. As program participants, they are to be served hot meals and snacks to meet at least one-third of their daily nutritional needs for part-day participants and one-half of their daily nutritional

needs for full-day participants. Trained nutritionists are to assist the Head Start staff, children, and families to understand the relationship of nutrition to health and how to apply their new knowledge about food to the development of sound food habits after leaving the program.

Social services

Recruitment and enrollment of eligible children, regardless of race, sex, creed, color, national origin, or handicapping condition, are two objectives of the social services component. Other objectives include assisting families of enrolled children to improve the quality of their family lives and referring families to other community service agencies.

Parent involvement

An essential part of every Head Start program is the involvement of parents in parent education, program planning, and operating activities. Head Start recognizes parents as the most important influence on a child's development, and Head Start projects are expected to provide a program of experiences and activities to support and enhance the parental role. Performance standards require that parents have the opportunity to be involved in the activities of each of the other Head Start program components.

EXTENT OF PROGRAM SERVICES DELIVERY

Program statistics published in 1980 indicate that Head Start projects countrywide have been delivering an acceptable level of services to program participants. Head Start collects program information from its grantees and delegate agencies through biannual reports. Information summarized from these reports provides an indication of the extent to which a range of Head Start services are being delivered to children and families.

In February 1980, ACYF prepared a report for the Secretary of HHS summarizing information obtained from over 95 percent of all Head Start grantees, covering the 1978-79 program year. Reported results and information on components are as follows:

Education

--On the average, across all regions, 74 percent of the desirable classroom activities, teacher behaviors, and resources were observed by trained education specialists to be present in the classrooms of 108 grantees visited.

--Across the regions and classrooms observed, average class size was 20.4 children, and the average child/paid classroom staff ratio was 10.3 to 1.

--Of the teachers in classrooms observed, 13 percent held bachelor's degrees in early childhood education, and 12 percent had obtained a Child Development Associates credential.

Health

--Eighty-two percent of Head Start children had been medically screened by the end of the 1978-79 school year.

--Twenty-five percent of the children screened were identified as needing medical treatment, and 90 percent of them received treatment by the end of the year.

--Sixty-seven percent of enrolled children received dental examinations during the 1978-79 school year.

--Forty-two percent of the children receiving dental examinations required dental treatment. Of these, 88 percent received dental treatment during the 1978-79 school year.

--Seventy-two percent of Head Start children had completed all required immunizations by the end of the 1978-79 school year.

--Ninety-one percent of Head Start programs participated in the U.S. Department of Agriculture's Child Nutrition Program.

Social services

--Over 50 percent of Head Start families were provided social services directly by Head Start.

--Nearly 25 percent of Head Start families were referred to other agencies by Head Start, and program personnel followed up on most of these families to determine whether needed social services were furnished.

Parent involvement

--On the average, for every 15 children enrolled, 10 Head Start parents were providing a volunteer service.

--Twenty-eight percent of Head Start staff paid from Federal grants are parents of current or former Head Start children.

This is the first tabulation of baseline performance data ever made by Head Start. The results will, of course, vary from location to location, and there are no quantitative standards against which these results can be compared. For example, during the 1978-79 school year, 82 percent of Head Start children had been medically

screened. Although this percent seems quite satisfactory, could it have been better? Should more than 25 percent of Head Start families have been referred to social service agencies? In the absence of quantitative standards or historical experience data, it is not possible to evaluate the adequacy of these service levels. However, based upon our discussions with grantees and our knowledge of their operating difficulties, we believe that the results reported indicate generally acceptable performance by Head Start programs.

STUDIES INDICATE INCREASES IN PROGRAM EFFECTIVENESS

Although there are indications that services are being provided by Head Start programs to substantial numbers of program participants, the question remains as to whether these services are producing satisfactory results. Since Head Start's beginning, many studies have been made of the program and its recipients, and difficulties have been encountered in measuring Head Start results. Studies performed several years ago tended to show that Head Start participants were not appreciably different, developmentally, from their non-Head Start peers in the elementary grades. More recent evaluations have revealed that Head Start is producing good results in the program component areas.

In a June 12, 1969, evaluation report (probably the best known of the early studies), the Westinghouse Learning Corporation concluded that

--summer (Head Start) programs appeared ineffective in producing any persisting gains in cognitive (intellectual) or affective (social and emotional) development that could be detected in the first, second, and third grades;

--full-year programs were marginally effective in terms of producing noticeable gains in cognitive development that could be detected by the measures used in the first, second, and third grades, but appeared ineffective in promoting detectable, durable gains in affective development; and

--Head Start children, whether from summer or full-year programs, appeared to fall below national norms in standardized tests of language development and scholastic achievement. 1/

1/Westinghouse Learning Corporation, The Impact of Head Start, "An Evaluation of the Effects of Head Start on Children's Cognitive and Affective Development," Executive Summary, Ohio University, June 1969.

At the conclusion of the Westinghouse study, there were over 420,000 children (or about two-thirds of total Head Start enrollment) in summer programs. However, by fiscal year 1981, planned enrollment in summer programs had declined to 15,000, or about 4 percent of the total planned enrollment of 386,000.

In October 1978, a report of the Consortium for Longitudinal Studies entitled "Lasting Effects After Preschool" was published by HHS. This report is a collaborative effort of 12 research groups conducting longitudinal studies on the outcomes of early education programs, and it summarizes the findings of current analyses of longitudinal studies of children who participated in these programs 10 to 15 years earlier. The consortium noted that some, though not all, of the programs in the study were Head Start sponsored, that the children were typical of Head Start's populations, and that current Head Start quality standards are such that similar curriculums are likely to be part of typical Head Start programs. They also noted that the programs were similar in the sense that all were well run, high quality programs. 1/

The consortium concluded that

> "* * * high quality early education programs are likely to benefit both low-income children and the larger society by: reducing the number of children in later costly special education programs in schools, helping children avoid grade failure, increasing children's math achievement scores at fourth grade and IQ scores at least up to age 13, and influencing aspects of children's and mothers' achievement orientation." 2/

In 1976 the Social Research Group at George Washington University, Washington, D.C., prepared a report for ACYF which compiled the results of 69 studies since 1969, 3/ and in 1978 an ACYF contractor completed a nationwide study to assess the effects of Head Start. 4/ The following statements summarize the results of these evaluations.

1/Irving Lazar and Richard B. Darlington, Co-Directors of Consortium for Longitudinal Studies, Lasting Effects After Preschool, Department of Health, Education, and Welfare, October 1978, pages 4 and 71.

2/Ibid., page 176.

3/Social Research Group, George Washington University, A Review of Head Start Research Since 1969, December 1976.

4/Abt Associates Inc., Executive Summary of a National Survey of Head Start Graduates and Their Peers, Office of Human Development, Washington, D.C., March 1978.

Impact on the child's cognitive development

Head Start does not concentrate on academic achievement. Rather, center directors emphasize improving the child's sense of self-worth, self-confidence, and sense of efficacy. However, studies indicate that children do benefit academically. 1/

--Most studies showed improvement in performance on standardized tests of intelligence or general ability for children attending full-year programs.

--Full-year participants performed equal to or better than their peers when they began regular school, and there were fewer grade retentions and special-class placements.

--Head Start full-year programs were effective in preparing children for later reading achievement, and intelligence scores were improved.

--Most research shows that children who participated only in summer programs did not achieve significant gains. 2/

Impact on the child's social development

--Head Start participants have not shown positive gains in self-concept, except in conjunction with a high degree of parent participation.

--Head Start positively contributes to the development of socially mature behavior.

--Head Start facilitates child socialization. 3/

--When the nonacademic aspects of social competence are measured, the results, taken as a whole, suggest that Head Start children are more active, more gregarious, less inhibited, and more eager to learn than non-Head Start children. 4/

1/Ibid., pages 15 and 16.

2/Social Research Group, George Washington University, A Review of Head Start Research Since 1969, December 1976, page 5.

3/Ibid., page 9.

4/Abt Associates Inc., Executive Summary of a National Survey of Head Start Graduates and Their Peers, Office of Human Development, Washington, D.C., March 1978, pages 21 and 22.

Impact on the child's health

--Children who participated in Head Start had lower absenteeism, fewer cases of anemia, more immunizations, better nutritional practices, and better health in general than nonparticipants had. 1/

--Ninety-eight percent of parents reported that their Head Start children had been immunized against DPT (diptheria, pertussis, and tetanus), polio, and measles. This high level contrasts with national estimates that 30 percent of children entering school are not protected. 2/

Impact on families of participating children

--Head Start parents have improved their parenting abilities and approaches to parenthood. They show satisfaction with the educational gains of their children, 3/ and highly endorse the program as being helpful to their children and to themselves. 4/

--Parental behavior has changed as a result of Head Start. Some studies report increased positive interactions between mothers and their children as well as an increase in parent participation in later school programs. 5/

Impact on the community

--Communities with a Head Start program experienced institutional changes as a result of the program. 6/ Educational

---

1/Social Research Group, George Washington University, A Review of Head Start Research Since 1969, December 1976, page 12.

2/Abt Associates Inc., Executive Summary of a National Survey of Head Start Graduates and Their Peers, Office of Human Development, Washington, D.C., March 1978, page 17.

3/Social Research Group, George Washington University, A Review of Head Start Research Since 1969, December 1976, page 13.

4/Abt Associates Inc., Executive Summary of a National Survey of Head Start Graduates and Their Peers, Office of Human Development, Washington, D.C., March 1978, page 2.

5/Ibid., page 20.

6/Social Research Group, George Washington University, A Review of Head Start Research Since 1969, December 1976, page 16.

and health institutions have become concerned with the needs and problems of the poor and minorities, and they have manifested this concern by revising curriculums, schedules, approaches, and services. Although these institutions are still not fully responsive to the poor, Head Start has, to some extent, achieved its goal of modifying local institutions so they are more responsive to the needs and desires of the poor. The study on which this conclusion is based was completed in 1970, 1/ but another study, completed in 1978, also shows a high level of cooperation between Head Start programs, public schools, and community health resource services. 2/

--Parents of Head Start children increased their involvement in the community during the period in which their children were in Head Start, and that involvement was likely to continue after their children entered regular school. 3/

--Countless parents have used their Head Start experience to equip themselves for jobs which can and do exert a positive influence on the community. At the end of the 1978-79 school year, grantees reported that 28 percent of all employees in the program nationwide paid from Federal grants were parents of current or former Head Start children. During 1978, 38 percent of Head Start personnel receiving specialized training in child development were Head Start parents.

According to several long-time experts in Head Start parent programs, the number of parents who have gone on to become Community Action Program directors, Head Start directors, consultants, teachers, State and local government officials, family day care providers, and business people is "overwhelming" and "incalculable." This indicates that employment in Head Start has released unknown talents and abilities which have benefited many communities.

1/Roy Littlejohn Associates, Parent Involvement in Head Start, Department of Health, Education, and Welfare, November 1977, pages 16 and 17.

2/Abt Associates Inc., Executive Summary of a National Survey of Head Start Graduates and Their Peers, Office of Human Development, Washington, D.C., March 1978, pages 14 to 17.

3/Social Research Group, George Washington University, A Review of Head Start Research Since 1969, December 1976, page 16.

- - - -

This research evidence shows that Head Start has been an effective program. There are, undoubtedly, many reasons why this is true, but based upon our work in Head Start headquarters, HHS regional offices, and 20 Head Start projects in nine States, we believe that success of the program can be most directly attributed to dedicated program directors, teachers, staff, and volunteers at the local level.

Although there is considerable evidence of program effectiveness, there are also warning signs because there is a trend developing among grantees across the country to reduce the level of services provided to children and their families. (See ch. 4.) Also, many grantees are not in compliance with program performance standards, and ACYF needs to initiate management improvements to assure high quality services in the various program component areas. (See ch. 5.)

CHAPTER 3

THE CONGRESS SHOULD CONISDER FURTHER REVISION TO THE METHOD OF DISTRIBUTING FUNDS AMONG STATES

The Congress gave particular attention during the mid-1970s to the funding of Head Start grantees by

--establishing a mandatory fund allocation formula for the first time in 1975, which was intended to gradually correct some major misalignments of funding among States that had occurred;

--providing additional funding for the first major expansion of Head Start enrollment in fiscal year 1978;

--revising the 1975 statutory formula during 1978 to clarify the congressional intent for application of the formula;

--providing increased funding for the expansion of Head Start in fiscal year 1979; and

--providing increased funding for operating cost increases to Head Start grantees for fiscal years 1978, 1979, and 1980.

Although use of the statutory formula is accomplishing the redistribution of funds intended by the Congress, new funding problems have surfaced. The Congress intended that all States participate in the 1978 expansion; however, only 23 States received sufficient additional funds through application of the formula to increase Head Start enrollment. Additional funds provided for cost-of-living increases varied among the States in fiscal years 1979 and 1980. This caused some grantees that received little or no operating cost increases in fiscal year 1979 to reduce Head Start enrollment.

In fiscal year 1980, the reduction of Head Start enrollment became widespread nationwide, because of the high rate of inflation, which exceeded even the highest rate of increased operating costs provided in 1980 under the formula. Nevertheless, expansion occurred in some States because sufficient increased funding was available through the legislative formula, while in other States enrollment reductions occurred because the funding available through the formula was insufficient to permit expansion. No expansion of Head Start was planned by HHS for fiscal year 1980.

The expansion of Head Start initiated by the Congress has been negated by a developing trend of enrollment reductions among States. The large unmet need--about 80 percent of eligible children not served by Head Start--has remained virtually unchanged since fiscal

year 1977. The Congress should consider further revision to the method of distributing Head Start funds among the States to assure that adequate operating cost increases are provided to all States, so that Head Start grantees can maintain their enrollment levels and program quality before funds are provided for enrollment expansion.

EVOLUTION OF HEAD START FUNDING

Head Start funding increased from $96 million in 1965 to $475 million in 1977. During this period, Head Start gradually shifted from providing services through summer and full-year programs to primarily full-year programs. Summer enrollment decreased from its peak level of 573,000 children in 1966 to 26,000 children in 1977, while full-year enrollment increased from 160,000 to 307,000 children during the same period. The conversion from summer programs (about 8-week duration) to full-year programs (8- to 12-month duration) required increased funding to cover the much greater cost of full-year programs. For example, in 1970 the average cost per child in a full-year program was $1,056, which was almost five times greater than the average cost per child in a summer program.

From 1977 through 1980, the annual amount made available for Head Start increased $260 million to $735 million. The largest funding increase since 1967 was the $150 million increase for 1978, which included about $114 million for the first major expansion of Head Start enrollment and about $36 million for a 6-percent operating cost increase to all Head Start grantees. The annual funding increased by $55 million from 1978 to 1979, and by another $55 million for 1980. Operating cost increases to grantees and expansion of a small number of existing projects were funded from the 1979 funding increase. Only operating cost increases were funded by the 1980 appropriation increase.

Over the years, the method of distributing the annual Head Start funding has changed because of congressional concern over whether each State was allotted an equitable share of available funds. This concern centered on Head Start funds being heavily concentrated in a few States while many States with larger poverty populations received smaller fund allocations. Changes in the fund distribution method are discussed in the sections that follow.

Early fund allocation methods

Head Start was started by OEO in the summer of 1965 as a small pilot project to provide educational, medical, nutritional, and social services to poor children who would be entering school at the beginning of the next school year. Head Start projects were funded in 240 of the 300 poorest counties, which were primarily in the southeastern United States.

In the 1967 amendments to the Economic Opportunity Act of 1964, the Congress for the first time placed the community action programs under allotment formula provisions. Beginning in fiscal year 1968, funds for community action programs and certain special programs (including Head Start) were to be allotted to the States according to a three-part formula after no more than 2 percent was reserved for Puerto Rico, Guam, American Samoa, the Virgin Islands, and the Trust Territories, and no more than 20 percent was reserved for the OEO Director's discretionary use. The three-part formula allotted the remaining funds to States on the basis of the relative number of

--public assistance recipients in each State compared to all States,

--unemployed persons in each State compared to all States, and

--related children living with families with annual incomes of less than $1,000 in each State as compared to all States.

A separate allotment for any of the special programs (including Head Start), however, could be made by the OEO Director according to other criteria, which would assure an equitable distribution of funds, based on the special needs of the State programs as long as no State received more than 12-1/2 percent of the funds available for any program. Adherence to the three-part formula had been subject to the discretion of the Director.

In House Report No. 95-1151, dated May 15, 1978, the Committee on Education and Labor reported that "During the first ten years of the program, Head Start funds were allocated to individual programs at the discretion of OEO and later, HEW [HHS]." The Senate Committee on Human Resources stated in its Report No. 95-892, dated May 15, 1978, that

> "Both the Congressional Research Service and a former administrator of the Head Start indicated that funds were directed to States on a subjective and arbitrary basis. This resulted in Head Start funds being heavily concentrated in only a few States while many other States with large poverty populations received a disproportionately small allocation of available Head Start funds."

The most dramatic examples of State allotments that were disproportionate to the poverty population factor were Mississippi and California. In 1970 Mississippi had 37,320 poverty children, ages 3 to 5, which represented 2 percent of the 1.8 million total population of eligible children, and it was allotted $32.9 million which represented 11 percent of the $301.6 million total of State

allotments. In contrast, California had 178,640 eligible poverty children or about 10 percent of the 1.8 million total population, and it was allotted $22.5 million in 1970, which represented 7 percent of the $301.6 million total of State allotments. Also, Puerto Rico had 144,810 poverty children or 8 percent of the 1.8 million total, and it was allotted $6.2 million or 2 percent of the $301.6 million total. The imbalance of funding levels among other States and jurisdictions was less dramatic.

Congressional concern over some States receiving a disproportionate amount of funds in relation to others, resulted in the Congress establishing a mandatory funding formula for Head Start, which was included among the amendments to the Community Services Act of 1974.

Community Services Act of 1974

The Community Services Act of 1974 (Public Law 93-644) enacted by the Congress January 4, 1975, included three important provisions affecting Head Start. The act

--officially recognized the transfer of Head Start from OEO to HHS;

--extended the Head Start program authority for fiscal years 1975, 1976, and 1977; and

--established a mandatory formula for allotment of funds among the States.

The formula provided for the distribution of the annual Head Start appropriation as follows:

--First, not more than 2 percent of the total funding was to be allotted among Guam, American Samoa, the Trust Territory of the Pacific Islands, and the Virgin Islands.

--Second, not more than 20 percent of the total was to be reserved for use at the discretion of the Secretary of HHS.

--Third, the remainder was to be allotted among the States (including Washington, D.C., and Puerto Rico) on the basis of the following two-part formula:

1. One-half of the remainder was to be allotted on the basis of the relative number of public assistance recipients in each State as compared to all States.

2. The other half of the remainder was to be allotted on the basis of the relative number of related children living with families with incomes below the poverty line in each State as compared to all States.

The formula also provided that no State was to be allotted less funds than it had obligated for fiscal year 1975, commonly referred to as the "hold harmless" clause. The formula went into effect with the fiscal year 1976 appropriation.

Congressional review of HHS' proposed allocation of the fiscal year 1978 Head Start funding disclosed that HHS may not have interpreted the legislative formula in accordance with congressional intent. It was also disclosed that the formula would not result in State reallocations for fiscal years 1976 and 1977 because the annual Head Start funding for each of these years, after setting aside the authorized reserves, was not larger than the total "hold harmless" base for all States. The Economic Opportunity Amendments of 1978 included more detailed instructions on the application of the formula to correct perceived misunderstandings on the part of HHS.

1978 LEGISLATION FOR APPROPRIATION AND REAUTHORIZATION OF HEAD START

During 1978, congressional intent regarding Head Start funding was expressed in legislation for the fiscal year 1978 funding and for amending the Economic Opportunity Act of 1964.

Fiscal year 1978 funding

The Head Start funding for fiscal year 1978 included an increase of $150 million over the fiscal year 1977 funding level to be used for operating cost increases and program expansion. About 75 percent of the $150 million was for expansion of Head Start, and the remainder was for cost-of-living increases for existing grantees. Major expansion of Head Start enrollment was in accordance with the congressional intent stated by the House Committee on Appropriations in House Report No. 95-381, dated June 2, 1977:

> "The Committee recommends $595 million for the Head Start Program, an increase of $110 million over the budget request, and an increase of $120 million over the amount appropriated for fiscal year 1977. It is intended that the total amount of increased funds over 1977 be used for local Head Start project operations, with about $30 million to cover increases in minimum wage and cost-of-living, and about $90 million for program expansion. * * * The Committee recognizes that Head Start program has been a very successful program and should serve more than the 15 percent of eligible children currently enrolled. The number of children served each year has not increased since 1968 and the funds provided for program expansion is a step in the direction of meeting the need for

additional families and children to participate in the program. It is expected that at least 60,000 additional children will receive full year services with the increased funding provided, and that most of these children will be served by existing Head Start program grantees. However, some of the increased funding may be used to establish new programs in communities where Head Start currently does not exist and where an administrative mechanism is in place. * * *"

Congressional review of HHS' proposed allocation of the fiscal year 1978 Head Start funding disclosed that HHS may not have interpreted the legislative formula in accordance with congressional intent. The problem was with the sequence of steps to be followed in applying the formula. After setting aside 2 percent of the funding for grantees in outlying areas and 20 percent for the discretionary reserve, the first step applied by HHS to the remaining 78 percent of the funding was to provide each State with the amount obligated in the State for fiscal year 1975 which represented application of the formula's "hold harmless" clause. As the second step, HHS distributed the remaining funds according to the two-part formula. At the October 1977 oversight hearings on the Head Start grant allocation formula, conducted before the Subcommittee on Economic Opportunity of the House Committee on Education and Labor, Congressional Research Service (CRS) and GAO representatives testified that, in their opinion, the Congress intended for maximum use to be made of the formula, by first applying the two-part formula--using factors of Aid to Families with Dependent Children (AFDC) recipients and poverty children--to the 78-percent portion of the Head Start appropriation. The second step, according to CRS and GAO representatives, was to apply the "hold harmless" clause by identifying State entitlements that were below and above their fiscal year 1975 funding levels and adjusting the amounts as necessary to bring State entitlements up to or down to their fiscal year 1975 funding level. Regarding the congressional intent for the "hold harmless" clause and for the two-part formula, one House Committee member commented:

"* * * Congress provided that no State should lose from what they had before, and provided for a hold harmless clause or provision. Now if you apply the hold harmless first, instead of the formula, wouldn't you be perpetuating the imbalance that existed in 1975. So instead of changing that which Congress mandated in section 513, the inequities that might have existed on the basis of that historical situation have been perpetuated rather than corrected as it would appear that Congress intended to correct in 1975."

By a November 30, 1977, letter from the House Committee on Education and Labor to the Secretary of HHS, reference was made to agreement among interested parties on precisely how the formula

was to be interpreted and applied. However, under the agreed upon interpretation of the formula regarding the fiscal year 1978 funding the Committee stated that 30 States would receive less than they did for fiscal year 1977, although funding for fiscal year 1978 exceeded the fiscal year 1977 level by $150 million. The Committee stated that it was not intended that any State would suffer in this way, and accordingly, the interested parties worked out an agreement, which the Committee stated was a workable compromise. The compromise agreement provided for the following procedures:

Step 1--After the 2- and 20-percent set-asides, the remainder of the funding was to be allocated among the States on the basis of the two-part formula, except that no State was to be allocated less than it had received in fiscal year 1975.

Step 2--For those States whose fiscal year 1978 entitlements in step 1 were less than their actual fiscal year 1977 allocation, funds from the Secretary's discretionary reserve were to be used to bring such States up to their fiscal year 1977 allocations level.

Step 3--Additional discretionary moneys were to be used to give every State a 6-percent operating cost increase. Regarding States whose fiscal year 1978 entitlements exceeded their fiscal year 1977 allocations, an amount equal to 6 percent of the fiscal year 1978 entitlement was to be added. With respect to all other States, an amount equal to 6 percent of the fiscal year 1977 allocation was to be added to the fiscal year 1977 level.

Reauthorization legislation of 1978

The Economic Opportunity Amendments of 1978 (Public Law 95-568 enacted November 2, 1978) extended Head Start through fiscal year 1981, revised the 1975 statutory fund distribution formula to change the hold harmless year from 1975 to 1978, and provided additional instructions for computing State allotments. This legislation required the following sequence of computation procedures.

--First, at least 78 percent of the funding was to be set aside for allotment among the States (including Washington, D.C., and Puerto Rico).

--Second, the two-part formula--using the AFDC recipients and poverty children population factors--was to be used to compute initial State allotments.

--Third, the 20-percent set-aside for the Secretary of HHS' reserve fund was to be used in accordance with the following priorities:

1. Indian and Migrant Head Start programs and services to handicapped children, including cost-of-living adjustments.

2. Additional amounts allotted to each State or territory, as necessary, to bring them up to their fiscal year 1978 funding level.

3. Training and technical assistance activities.

4. Other necessary purposes.

--Fourth, additional funds, if available, were to be provided to States up to a limit of 175 percent of the hold harmless year amount.

--Fifth, the 2-percent set-aside was to be allotted among Guam, American Samoa, the Trust Territory of the Pacific Islands, the Northern Mariana Islands, and the Virgin Islands.

--Sixth, criteria were established for determining the maximum amount of allotments for each State including supplemental funds.

According to House Conference Report 95-1766, dated October 11, 1978, accompanying the Economic Opportunity Amendments of 1978, the allocation formula was based on the premise that all States should receive 100 percent of what they were eligible for according to the State's relative share of the poverty population, and that it was the intent of the conferees that as much of the funds as possible be distributed to the States under the poverty formula. The House Conference Report contained the following conference agreements indicating legislative intent that the poverty formula

--equalize the distribution of available Head Start funds and target these funds to poverty populations;

--narrow and ultimately eliminate the range in the level of Head Start funding computed on the basis of the poverty population among the various States;

--eventually end the need for hold harmless and supplemental payments because the allocation formula reflected the intent that over time, as appropriations increase, all States should eventually receive funds only on the basis of poverty population; and

--eliminate cost-of-living provisions because as appropriations are increased to reflect, in part, cost-of-living increases, the cost-of-living increases would be passed on automatically to the States through the poverty formula.

The House Conference Report stated that completion of the objective to equalize the distribution of Head Start funds and target these funds to poverty populations would be dependent upon the level of funding--that is, the higher the level of funding, the more rapid the range will be reduced and eliminated. The report also stated that the House conferees intended for the unique national high quality nature of the Head Start program to be continued.

REDISTRIBUTION OF FUNDS AMONG STATES BEING ACHIEVED, AS INTENDED BY THE FORMULA

The reallocation of increased Head Start funding is being achieved, in accordance with congressional intent. Funds are being allocated to the States by applying the formula in the proper sequence of steps, and there is a gradual shifting of funds among the States based on poverty populations. The redistribution of Head Start funding is indicated in the following table, which ranks the 10 jurisdictions that received the largest fund allotments in 1975 and their ranking in 1980.

Jurisdiction (in 1975 funding ranking order)	Fund allotments 1975	Fund allotments 1980	1980 ranking order
	(thousands)		
1. Mississippi	$ 37,082	$ 43,535	(3)
2. California	27,977	63,522	(1)
3. New York	26,619	48,890	(2)
4. Texas	17,957	28,432	(6)
5. Illinois	16,422	35,027	(4)
6. Puerto Rico	15,315	27,053	(8)
7. Florida	13,557	17,600	(10)
8. Ohio	12,737	27,920	(7)
9. Pennsylvania	12,223	29,541	(5)
10. Alabama	11,391	14,808	(14)
Total	$191,280	$336,328	
Percent of grand total	50.5	53.0	
Grand total	$378,455	$634,724	

The 9th ranking State in 1980 was New Jersey with a $20.4 million allotment, which advanced it from the 13th ranking in 1975, when New Jersey's allotment was $10.5 million.

MAJOR ENROLLMENT EXPANSION OF 1978 DIMINISHED BY ENROLLMENT REDUCTIONS IN 1979 AND 1980

The first major expansion of Head Start's full-year enrollment in fiscal year 1978 has been diminished by enrollment reductions during fiscal year 1979. Furthermore, ACYF planned enrollment reductions throughout all the States for fiscal year 1980. Also, all States did not participate in the expansion of Head Start enrollment as intended by the Congress. Although the Head Start funding was increased for each of the 3 fiscal years--1978 by $150 million, 1979 by $55 million, and 1980 by $55 million--these increases were insufficient to fund enrollment expansion and adequate operating cost increases to grantees in all States.

Expansion of Head Start enrollment

The President's Budget for fiscal year 1978 did not include any significant increase over fiscal year 1977 Head Start funding. However, the Congress provided an additional $150 million to be used mainly to fund a major expansion of enrollment in 1978. Discussions in appropriations hearings, before the House and Senate Appropriations Subcommittees for the fiscal year 1978 HHS appropriation, indicated that the Congress intended to expand Head Start enrollment. The Senate Committee on Appropriations report on the 1978 appropriation stated in part that

> "* * * the resources for program expansion should be distributed to all States in accordance with the formula in the authorizing legislation so that all States will receive an equitable increase for program expansion above their existing base."

All States have not expanded their Head Start enrollment. After distributing the 1978 Head Start funding in accordance with the formula's requirements and the congressionally mandated 6-percent operating cost increase for all grantees, no funds remained for program expansion in 29 States. Head Start expansion did occur in 23 States, Puerto Rico, and the Virgin Islands, by funding 49 new grantees and increasing the enrollment of 583 existing grantees. In fiscal year 1979, after meeting the formula's funding requirements necessary to support base enrollment levels in each State, there were funds remaining to expand Head Start in 23 States and Puerto Rico. No funds remained to expand Head Start in 27 States, the District of Columbia, the Virgin Islands, and outer Pacific Islands. Program expansion in the 23 States and Puerto Rico consisted entirely of increased enrollment at existing Head

Start projects. The former Associate Director of Head Start told us that traditionally the policy has been not to reduce the enrollment of children in Head Start programs, but that in fiscal year 1979 Head Start would permit grantees to reduce their enrollment by 2 percent. During fiscal year 1979, we noted that enrollments were being reduced at some Head Start programs. No expansion in Head Start enrollment for fiscal year 1980 was planned by ACYF because most of the $55 million increase in the 1980 funding was used to meet formula requirements and cost-of-living increases.

Operating cost increases vary among the States

Operating cost increases to Head Start grantees varied among the States for fiscal years 1978, 1979, and 1980. This contributed to financial problems of some grantees and to enrollment reductions during fiscal year 1979 at some Head Start projects, which became widespread among all States in fiscal year 1980.

Although all States received a 6-percent operating cost increase, as required by the November 30, 1977, instructions from the House Committee on Education and Labor to the Secretary of HHS, these instructions also provided criteria for two different bases for computing the amount of cost-of-living increases for

--States whose fiscal year 1978 entitlement exceeded their fiscal year 1977 allocation, an amount equal to 6 percent of the fiscal year 1978 entitlement was to be added to the State allotment and

--all other States, an amount equal to 6 percent of the fiscal year 1977 allocation was to be added to the fiscal year 1977 level for the State allotment.

The fiscal year 1979 State allotments were computed on the basis of the statutory formula, as revised in 1978. All States, except three (Alaska, Mississippi, and Wyoming), received funding increases, over their fiscal year 1978 level, ranging from 6.07 to 17.76 percent. These increases included operating cost increases ranging from 4.04 to 8.3 percent. The 8.3 percent equaled the increase in the national Consumer Price Index during fiscal year 1978.

Through the statutory formula, HHS computed increases to individual State allotments for fiscal year 1980, ranging from 4.04 to 9.09 percent, with four States receiving no increases. Additional funds for State allotments were provided from the Secretary of HHS' discretionary reserve to assist Head Start projects in meeting higher operating costs. This discretionary money was added to State allotments, as follows (according to HHS' Funding Guidance Letter, dated December 21, 1979, for fiscal year 1980 to Regional Program Directors):

--First, funds were allotted to insure that each State eligible for discretionary funds received at least the 4.04-percent minimum funding increase over its fiscal year 1979 level. Mississippi and Alaska were prohibited by the statutory formula from receiving any increased funding and remained at their fiscal year 1979 levels.

--Second, the two-part poverty formula was then used to allot the remaining portion of available discretionary money among all States.

The increased State allotments were to be used to offset higher operating costs of grantees and to maintain levels of program quality and enrollment. HHS planned no expansion in Head Start enrollment in any State during fiscal year 1980.

The December 1979 Funding Guidance Letter also included State enrollment targets for fiscal year 1980, which were developed by HHS based on the assumption that a 12.1-percent increase in the annual cost per child would be necessary in each State to maintain fiscal year 1979 enrollment levels. The 12.1-percent increase equaled the rise in the Consumer Price Index during fiscal year 1979. Since no State allotments were increased as much as 12.1 percent, HHS reduced the enrollment targets for each State in proportion to the shortfall between the State's operating cost increase and the 12.1-percent level. The estimated enrollment reductions totaled 14,247 1/ (excluding the Indian and Migrant Programs Division (IMPD)) and ranged from 13 children for North Dakota to 3,027 children for Mississippi. According to the 1980 funding guidance instructions, the projected marginal reductions in enrollment levels provide the option of serving fewer children to maintain an acceptable level of program quality and services in the presence of rapidly rising operating costs.

Enrollment reductions in fiscal year 1979 and the continued nationwide enrollment reductions in fiscal year 1980 diminishes the increased enrollment intended by the major expansion of Head Start by the Congress in 1978. Also, the 2-year trend of enrollment reductions negates the congressional intent for Head Start to serve much more than the approximately 20 percent of eligible children served before the major program expansion of 1978.

LARGE UNMET NEED REMAINS

Although Head Start funding has increased significantly since fiscal year 1977, a large unmet need remains for about 80 percent

---

1/On May 29, 1981, the Acting Commissioner of ACYF told us the actual enrollment reductions were considerably less than the estimated figure.

of the children eligible for Head Start (see app. II). This is about the same level of unmet need that existed before the major program expansion in 1978. The unmet need varies among the States and has generally remained large in all States except Mississippi.

According to information provided by HHS in 1977 during hearings before a Subcommittee of the House Committee on Appropriations regarding the 1978 appropriation, Head Start was serving about 350,000 children (19.4 percent) of the approximate 1.8 million children eligible for the program, and it would cost about $2.4 billion to $2.5 billion to provide the full range of comprehensive Head Start services to the remaining 1,450,000 children.

In hearings on April 6, 1978, before the same Subcommittee on the fiscal year 1979 appropriation, an ACYF official stated that in fiscal year 1978 about 19.6 percent of the eligible low-income children were being served, and that the 23 States receiving funds for the program's expansion had significant unserved Head Start eligible populations which averaged about 85 percent of the eligible children. This official also expressed the view that the principal difficulty with the then current approach of the funding formula was that it did not enable program expansion to occur in all States, since there was a considerable unmet need in all States. During the discussion at the April 3, 1979, hearings before the same Subcommittee on the fiscal year 1980 appropriation, the former Assistant Secretary for OHDS stated that based on

--an enrollment of 352,000 low-income children in full-year, summer, and parent and child center projects in fiscal year 1978, a minimum of 18.9 percent of the eligible low-income children were served and

--a fiscal year 1980 funding of $700 million, 362,700 low-income children would be served or 19.5 percent of the 1.9 million eligible low-income children.

At the March 13, 1980, Subcommittee hearings on the fiscal year 1981 appropriation, the Deputy Assistant Secretary of OHDS testified that Head Start was serving about 20 percent of the children eligible to receive Head Start services.

The following table shows in ranking order the 10 States that received the largest allotments for fiscal year 1977 (before the major enrollment expansion of fiscal year 1978), the States' respective number of poverty children eligible for Head Start (based on 1970 Bureau of the Census data, updated in 1975), the percent of eligible children served and the unmet need for fiscal years 1977 and 1980 (estimated), and the ranking order of these jurisdictions based on the size of their allotments for fiscal year 1980.

Jurisdiction (in fiscal year 1977 ranking order)	Universe of poverty children	Fiscal year 1977 Percent served	Fiscal year 1977 Unmet need	Fiscal year 1980 Percent served	Fiscal year 1980 Unmet need	Ranking order fiscal year 1980
			(percent)		(percent)	
1. Mississippi	37,320	80	20	67	33	3
2. California	178,640	8	92	14	86	1
3. New York	119,100	10	90	14	86	2
4. Texas	131,450	12	88	14	86	6
5. Illinois	98,640	12	88	19	81	4
6. Puerto Rico	144,810	7	93	9	91	9
7. Ohio	84,940	13	87	21	79	7
8. Florida	70,100	15	85	14	86	11
9. Pennsylvania	74,910	10	90	18	82	5
10. North Carolina	50,910	19	81	17	83	14

The table shows the gradual realignment of unmet need among the 10 States that received the largest fund allotments in fiscal year 1977. The unmet need in fiscal year 1980 (estimated) ranged from 81 to 91 percent for eight of the States, which is above the 80-percent national average. Generally, the smaller unmet needs are in the rural States like Mississippi, Alaska, Colorado, and Tennessee.

A February 1980 report from the House Surveys and Investigation Staff to the House Committee on Appropriations included a finding that there are some significant inequities in the distribution of Head Start funds among States even after the fiscal year 1978 expansion. This report also referred to the wide variations among States in the proportion of eligible children served by Head Start, and it recommended that the Congress consider distributing formula funds to States based on "unmet needs." 1/

CONCLUSIONS

Since fiscal year 1977, Head Start funds have been redistributed among States in accordance with congressional intent by using the distribution formula mandated by the 1978 legislation. However, the increased Head Start enrollments envisioned by the Congress and provided for by the 1978 amendments have not been

---

1/Report to the House Committee on Appropriations by the Surveys and Investigations Staff of the Departments of Labor; Health, Education, and Welfare; and related agencies, the House Appropriations Committee, Head Start Program Funding and Administration, February 1980, pages 6 and 7.

sustained. Enrollment increases in 1978 and 1979 in some States have been offset by enrollment reductions in fiscal years 1979 and 1980 in other States. Thus, the large unmet needs of about 80 percent of eligible children who are not being served by Head Start has remained virtually unchanged since fiscal year 1977.

Operating cost increases provided to States have varied. Using the statutory formula, as revised, has resulted in some grantees not receiving sufficient operating cost increases to maintain their enrollment levels and program quality in the presence of steadily rising costs. Also, the formula prevented some States from participating in the major expansion of 1978, permitted only limited enrollment expansion in 1979, and provided no funds for expansion in 1980.

RECOMMENDATIONS TO THE CONGRESS

We recommend that the Congress consider modifying the funding distribution formula to assure that sufficient operating cost increases are provided to all States so that grantees can maintain their enrollment and servie levels before any funds are provided for expansion of enrollments. We also recommend that the Congress consider placing a moratorium on further expansion of Head Start, until sufficient funding is available to expand enrollment and to provide adequate cost-of-living increases to all States.

CHAPTER 4

PROGRAM QUALITY THREATENED BY TREND AMONG GRANTEES TO REDUCE SERVICES TO CHILDREN

The unique value of Head Start has been the comprehensive services provided to eligible children and their families. Current Head Start legislation mandates that programs and projects be operated in accordance with Head Start performance standards to insure that the quality of the program be continued. However, program quality is being threatened by a trend developing among many Head Start grantees to reduce comprehensive services to children and families because of escalating operating costs and insufficient funding. The level of funding varies greatly among grantees; however, ACYF does not have data to show why variations occur in certain key funding factors, such as average Federal cost per child. Some grantees might need an increased level of funding to preclude reduction of services, while other grantees might be able to sustain their level of services without additional funds. ACYF should begin to gather and analyze data on grantees' operations, service reductions, and average cost per child to serve as a basis for determining whether grantees' level of funding is adequate to ensure the delivery of quality services or to provide additional funding to grantees who have a demonstrated need.

THE CONGRESS SUPPORTS THE USE OF PERFORMANCE STANDARDS TO ACHIEVE HIGH QUALITY PROGRAMS

High quality Head Start programs can be achieved through grantees' compliance with the program performance standards. Performance standards published by Head Start establish the kinds of functions, activities, and facilities required to meet the objectives and goals of the program. The standards provide guidance for educational services; health services, including medical, dental, mental health, and nutrition; social services; and parent involvement. The standards include requirements for education plans, medical and dental examinations, and social services and parent involvement plans and activities.

The Congress has recognized that the Head Start performance standards have contributed to high quality programs as expressed in the legislative history for the Economic Opportunity Amendments of 1978. In Conference Report No. 95-1766, dated October 11, 1978, the committee of conference stated:

> "* * * The conferees wish to note that Head Start performance standards have contributed to making Head Start a unique program providing quality child development services to young children and their families.

Head Start should be governed by nationally applicable quality standards uniquely designed for the special needs of local Head Start grantees and not by rules applicable to other programs. Any changes in standards governing Head Start shall maintain these characteristics in order to insure that the unique national high quality nature of the Head Start program be continued."

The Economic Opportunity Amendments of 1978 required that:

"* * * The Secretary [of HHS] shall operate the programs and projects covered by this part in accordance with Head Start performance standards. Any revisions in such standards shall result in standards which are no less comprehensive than those in effect on the date of the enactment of the Economic Opportunity Amendments of 1978. The extent to which such standards have been met shall be considered in deciding whether to renew or supplement financial assistance authorized under this part."

Maintaining the high quality of local Head Start programs is considered to be of utmost importance by HHS. In April 1979 testimony before the House Committee on Appropriations' Subcommittee on Labor and Health, Education, and Welfare, the Assistant Secretary for OHDS said that:

"We are aware of the financial problems which many grantees face due to the steadily rising costs of program operations. Our projections of slight increases in enrollment in fiscal year 1979 and 1980, represent a national goal, and we recognize that in some projects, even after taking cost-saving measures, it may not be possible to achieve an expansion or to maintain current enrollment levels. In no instance would projects be allowed to reduce the quality of the services they provide below the high levels required by Head Start Performance Standards. Maintaining program quality would take precedence over achieving expansion targets or maintaining enrollment levels."

TREND DEVELOPING AMONG HEAD START GRANTEES TO REDUCE SERVICES TO CHILDREN

Data gathered during the late 1970s strongly indicate a trend developing among Head Start grantees to reduce comprehensive program services to children and their families. Services are being reduced in various ways, such as:

--Twelve-month programs are moving toward 8-month programs.

--Full-day programs are being changed to part-day programs.

--Part-day programs are becoming split session programs.

--Changes are being made in program options with adoptions of variations in models in which services are provided Head Start Centers (e.g., cutting service from 5 to 3 days), or the adoption of less costly home-based models in which Head Start personnel provide services to children and their families in their homes.

--Reducing the employment period of employees (e.g., 52-week employees are becoming 40-week employees, hours per day are being cut from 8 to 6, and hours per week from 40 to 24).

A June 21, 1977, memorandum from the Director of OCD, in Region VIII to the Central Office of OCD, contained recommendations which expressed the following concerns about program quality and program reductions in Region VIII.

"* * * Upgrading Quality of Existing Programs: There are many factors here which are difficult to quantify; rising fuel and transportation costs, rising personnel costs which barely stay abreast of minimum wage and poverty indices, fringe benefits, reduced staff time and reduced program operating time due to budget constraints, increasing utilities costs. * * * Increasing demands for professional quality services only compound the problems of minimal salary schedules; cost estimates to provide equitability in staff salaries range up to $4 million. Without some major relief in this area, retention of trained and/or qualified staff is becoming critically difficult. Also without economic relief, some programs, example Denver, may have to reduce the number of children being served in order to meet budget demands. Additionally, the current and (anticipated) increased emphasis on parent involvement/family development will cause additional funding requirements. Additional funds are needed for building/renovation of existing and needed centers."

Region VIII's continued concern that rising costs were seriously affecting the program was indicated in the Regional Program Director's March 16, 1979, memorandum to the Commissioner of ACYF, which stated in part that:

"Recently, the escalation of utilities costs, and especially transportation costs, have been felt by all programs. Many of our programs are operating on extremely low cost-per-child funding levels, and we are being compelled to reduce staff time to an unreasonable

level, accept reduced qualifications in new hires, and generally diminish the quality of their program in order to meet the unavoidable increases in minimum wage, gasoline and heating fuel costs, and electric service costs.

"In addition to these, several of our programs have transportation equipment, without which they cannot serve their target population, which is worn out and must either be replaced (at a 50 percent cost increase) or undergo frequent, lengthy, and costly major repair. My recent visit to Billings, Montana verified the fact that no transportation for children had been available since December 1978, as a result of the grantee having insufficient funds to repair vehicles. This type of situation exists in other programs and is occurring more frequently throughout the Region."

On March 22, 1979, the Acting Regional Program Director of ACYF in Region VIII wrote to the Associate Director of the National Head Start Bureau that, in order for the grantees to make up the increase in the Consumer Price Index between 1975 and 1979 and the small increases awarded in the grants, they have had to do the following:

"1. Most programs have either reduced the number of hours worked per day or the number of days per year or have had to go into double sessions where one teacher handles two groups of children in order to meet performance standards within the resources provided.

"2. Many grantees were receiving facilities as part of the in-kind contribution. Most of these programs now are being charged for space to alleviate increases in utilities and upkeep.

"3. The salaries of the staff in the programs analyzed are extremely low and are way below comparable salaries of similar employment opportunity in the community."

Region VII survey results disclose service reductions by grantees

In April 1979, a self-initiated survey was conducted by the HHS regional office in Kansas City, Missouri (Region VII), to determine where the greatest need for additional funding existed in Head Start programs. Survey information was requested, on a voluntary basis, from the 86 Head Start grantees and delegate

agencies in Region VII (Iowa, Kansas, Missouri, and Nebraska). In fiscal year 1979, Region VII was funded at $23.6 million for an enrollment level of 15,255 children, which was about 22.5 percent of the total number of children in poverty (67,800 children).

Seventy percent of the grantees voluntarily responded in whole or in part to the survey. The survey showed that grantees have limited services and substantially shortened the length of their programs due to inadequate funding supplements during the past 2 years to cover high inflation. According to a regional official, the survey shows the effects of inflation over the past 2 years only and that the damages of inflation over the preceding 5 years are undoubtedly greater than those shown in the survey. The survey documented that a 15.4-percent supplement to existing Head Start programs in Region VII was necessary if these programs were to continue at their current operating level and continue to meet the legislatively mandated performance standards. The survey disclosed that the impact of inflation on Head Start programs had been greatest in the areas of staff salaries, fringe benefits, and transportation of children, which represented about 60 percent of needed supplemental funds.

The survey requested a description of any changes in program options and/or length of program/classroom day, which the grantee had initiated since September 1, 1977, on account of inflation and increased program costs. The following table shows the results of an analysis made by the Kansas City Regional Office of 52 responses from grantees received as of June 20, 1979.

Program Changes Made by Grantees Because of Inflation Since September 1, 1977

Change in program	Grantees reporting that program change had occurred	
	Number	Percent
Reduced weeks of classroom operation/year	12	23.1
Reduced days of classroom operation/week	12	23.1
Reduced hours of classroom operation/day	5	9.6
Reduced number of centers (consolidation)	8	15.4
Reduced number of children served	1	1.9
Converted to home-based option	3	5.8
Reduced number of paid weeks/year for staff	5	9.6
Reduced number of paid days/week for staff	5	9.6
Reduced number of paid hours/day for staff	11	21.2
Reduced number of paid positions	14	26.9

The survey also requested planned program changes, in the event there would not be any fiscal year 1979 supplemental funding. 1/ The summary of responses from the 52 grantees is presented in the following table.

Program Changes That Will Have To Be Made
If There Is No Fiscal Year 1979 Supplemental Funding

Change in program	Grantees reporting that changes would have to occur	
	Number	Percent
Will reduce weeks of classroom operation/year	12	23.1
Will reduce days of classroom operation/week	8	15.4
Will reduce hours of classroom operation/day	10	19.2
Will reduce number of centers (consolidation)	8	15.4
Will reduce number of children served	4	7.7
Will convert to home-based option	6	11.5
Will reduce number of paid weeks/year for staff	4	7.7
Will reduce number of paid days/week for staff	5	9.6
Will reduce number of paid hours/day for staff	10	19.2
Will reduce number of paid positions	8	15.4

The following is an example of a grantee's response describing its program changes and concerns about funding.

> "The centers have changed from a 5-day program for children to a 4-day and in one case a 3-day program. Staff's length of employment each year (no. of weeks) has been cut back both at the center level and central office staff level. One center that had 2 classes previously was changed to 1 large class with 1 teacher, 2 paid aides and many volunteers."

* * * * *

> "We are not interested in receiving expansion funds if there cannot first be funds appropriated to serve our present program adequately. Why serve more children when you cannot adequately serve those you have due to limited finances."

Other indications of service reductions by grantees

On March 22, 1979, the Subcommittee on Human Resources of the House Committee on Education and Labor held oversight hearings on

---

1/Subsequently, the Congress appropriated supplemental funding for fiscal year 1979.

the Head Start program. Representatives from rural, urban, and migrant Head Start programs from six States and Washington, D.C., testified that their programs were facing extremely serious funding problems, as a result of the increasingly high cost of transportation, inflation, increases in the minimum wage, etc., and were being forced to reduce programs and services in order to operate within available funds. Also, letters were submitted to the Subcommittee from Head Start project representatives in several other States expressing similar concerns over high inflation, limited funding, and service cutbacks.

During fiscal year 1980, Head Start headquarters requested special cost information from a sample of 20 grantees. As of February 29, 1980, responses from 14 grantees (located in 10 States in Regions I, III, V, and VI) further substantiated that some grantees were reducing program services to children because of high inflation and funding limits. This was the only effort by Head Start headquarters to gather information from grantees indicating the extent of service reduction to enrolled children.

SERVICE REDUCTIONS THREATEN PROGRAM QUALITY

The unique value of Head Start has been the comprehensive services provided to eligible children and their families. However, the reductions in services provided lessen the impact of Head Start in the areas of education, health (including medical, dental, mental health, and nutrition), parent involvement, and social services. Service reductions also increase the difficulty of Head Start projects attempting to comply with all of the 162 program performance standards. The 5-year forward plan for fiscal years 1977-81, prepared by OCD in September 1976, stated that many Head Start programs were not in compliance with one or more areas, and that particular problems appeared to be:

--Developing written plans in all component areas.

--Systematic data collections and recordkeeping.

--Individualizing services.

--Parent involvement and education.

--Providing mental health services.

--Nutrition education.

The 5-year forward plan also referred to the need for additional financial resources for some local Head Start programs to comply with some performance standards.

We analyzed the 162 program performance standards to identify the standards that could require grantees to use funds to correct a noncompliance condition. We estimated that insufficient funding could impact on Head Start grantees' ability to comply with at least 50 percent of the standards (81 of 162 standards). In the important education and health components, inadequate financial resources has the most severe impact. We estimated that up to two-thirds of all out-of-compliance conditions in these components could be attributable to lack of adequate funding.

In May 1979, an Atlanta Regional Office representative told us that grantees in that region required additional funding of at least $6,850,000 to achieve minimum compliance with program performance standards. It was pointed out that this amount would not cover current cost-of-living increments, allow enrollment increases, or permit program personnel to be compensated at rates comparable with prevailing local wage levels. It would be used for minimum health and safety needs only.

A May 1979 Financial Management Analysis Report prepared by an HHS contractor, stated that most Head Start directors are managers with limited options who operate on the basis of determining how quality will be sacrificed to serve a fixed number of children for a fixed sum of money. Furthermore, the contractor's report stated that the real issue in Head Start budgeting is not a question of allocating funds to achieve program objectives, rather it is an issue of modifying objectives to balance available funds, and that the only recourse a director has in this situation is to cut the level of services the program is able to provide. The contractor determined that quality of service was measured in terms of a program with content consistent with performance standards, provided in a type of program meeting community needs, for a given number of hours per day, for a given number of days per week, and for a given number of weeks in a year. The contractor defined quality as being reduced whenever one or more of these measures is reduced in amount or a program is changed in a way to circumvent stated community needs. The contractor observed, in the Head Start programs it visited, that quality of service was being steadily eroded to satisfy budget constraints.

While service reductions appear to be widespread, and increased funding levels appear to be the most obvious solution, not all grantees are finding it necessary to reduce services. For example, 23 percent of the grantees in the Kansas City Region responding to the survey reported reduced weeks of classroom operations over the 1977-78 period, but 77 percent did not. This indicates that some grantees may need an increased level of funding to preclude the reduction of services while other grantees may not need increased funding to maintain their level of services.

ACYF SHOULD GATHER AND ANALYZE GRANTEES' COSTS OF SERVICES

Annual allocations of Head Start funds to each State are determined by the funding formula (see pp. 22 and 23). Allocations of funds to grantees within each State are determined by HHS regional offices with general guidance from the ACYF headquarters. ACYF funding guidance permits regional offices to increase the average per child allocation to individual grantees, where necessary, by reducing the number of children to be enrolled in the project. For example, if more Federal funds are not available for a grantee which contends it cannot continue operating at its present service level without more funds, the HHS regional office may then authorize the grantee to reduce its enrollment, thus increasing its average cost per child. ACYF uses average Federal cost per child as one basis for assessing the performance of its grantees and when making its project funding decisions. We believe, however, that average Federal cost per child, as it is presently calculated, is misleading because:

--From grantee to grantee there are wide variations in operating costs incurred because of differences in prevailing teachers' salaries and transportation costs, variances in efficiency of program management, and variances in available resources.

--Federal costs cover only a portion of grantees' total costs and the non-Federal portion may vary widely from grantee to grantee. Grantees are required to document non-Federal sources of funds only up to 20 percent of their Head Start grant, but in practice, many grantees receive more than this portion from local community support, and the total is not reported to ACYF. Other grantees may not have utilized community resources to the maximum extent possible.

--The average Federal cost per child is not necessarily related to the amount and level of services rendered. For example, a full-year, part-day program may operate for as little as 480 hours or as much as 1,440 hours per year. Thus, in this example, the cost per child may be equal, but the cost per child/per hour of contact may vary by a factor of as much as 3 to 1.

Federal costs alone vary widely countrywide. In 1979, ACYF reported that the lowest annual average Federal cost per child was in New Mexico ($1,056) while the highest was in the District of Columbia ($2,755). The variation between these two extremes is 2.6 to 1. Although this variation in average cost is wide, it does not necessarily indicate that the low average cost grantee is operating an inadequate Head Start project or that, because of low Federal funding, program services will need to be reduced. For

example, one of the programs we visited in Mississippi had a 1979 average Federal cost per child of $1,028, and it was regarded as a very effective program by a regional official. A program we visited in Montana had a 1979 Federal average cost per child of $1,348, and it was considered to be an excellent program by a regional official. Both of these programs were operating well below the ACYF reported national Federal average cost of $1,721 per child.

ACYF officials recognize that the present average cost per child figures for Head Start have little value. According to one headquarters official, "* * * the present cost per child statistic really does not tell ACYF anything." He said that there are many variables affecting the cost computations. The former Commissioner of ACYF authorized a region-by-region study to determine the reasons for the variances between the highest and lowest cost-per-child programs in 1978, but she told us that this study revealed no pattern of any kind. The Associate Commissioner told us in September 1979 that no one really understands all the variables involved.

We recognize that numerous variables must be understood before the computed average cost per child is understood. We believe that the HHS regional offices need a better understanding of average cost per child and per child contact hour for the grantees under their supervision, if they are to make the most equitable allocations of Federal funds to grantees.

The most important of all the cost variables, in our opinion, are project salaries and fringe benefits which constitute about 80 percent of all Head Start costs. Salary costs, in turn, vary because of differing rates of compensation and because of the ratio of staff to children enrolled. Both rates of compensation and child/staff ratios vary widely across Head Start projects, and we believe that ACYF should concentrate first on these factors in its efforts to understand the variations in average cost per child and per child contact hour. Other factors that should be considered by ACYF when analyzing the variations in average cost per child are whether

--the program is efficiently administered,

--community resources are utilized to the maximum extent possible, and

--sufficient resources are available to maintain program quality.

CONCLUSIONS

Both the Congress and the administration have emphasized the importance of maintaining high quality in local Head Start programs; however, program quality is being threatened by a trend

among many grantees to reduce services to children and families because of escalating operating costs and insufficient funding. Although these service reductions appear to be widespread throughout the program, not all grantees are finding it necessary to reduce program services, indicating that some grantees may not need increased levels of funding while others do if service reductions are to be avoided.

Although ACYF regional offices use the Federal average cost per child as one basis in determining the amount of Federal funding to be allocated to grantees within the States, as it is presently calculated, average cost per child should not be used in the funding decision process. This figure is affected by many variables, project to project, there are wide variances in the average cost per child among grantees, and the reasons for these variances are not known by ACYF. It is important for ACYF to know the reasons for the wide variations in the average cost per child in allocating Federal funds to grantees.

RECOMMENDATIONS TO THE SECRETARY OF HHS

We recommend that the Secretary direct the Commissioner of ACYF to gather and analyze data on the average cost per child and average cost per child per contact hour in order to assist ACYF regional offices to make the most equitable distribution of Federal funds to grantees within their regions. Also, we recommend that the Secretary (1) direct the Commissioner of ACYF to initiate an effort to gather information from grantees on reductions in Head Start services to children and their families to ascertain the extent of service reductions nationwide and (2) inform the appropriate authorizing and appropriating committees of the extent of service reductions in the Head Start program.

CHAPTER 5

HEAD START NEEDS TO COMPLETE ITS MANAGEMENT CONTROL SYSTEM

As Head Start has evolved from an experimental demonstration program to an ongoing service program, it has taken some actions toward establishing a management control system. However, the system is not yet adequate to serve the needs of a service program the size of Head Start. The partially completed system of management control should be completed and strengthened to provide better assurance that the objectives of such a system are met. Improvements are needed in planning, the management information system, program monitoring, and Federal staffing and administrative support.

OBJECTIVE AND ELEMENTS OF A MANAGEMENT CONTROL SYSTEM

The general objective of an agency's management control system is to provide positive assistance in carrying out all duties and responsibilities as efficiently and economically as possible, considering the requirements of applicable laws and regulations. The most important elements of a system of management control are planning, reporting (management information system), evaluation (monitoring), personnel (staffing), accounting, organization, policies, and procedures. We reviewed the first four of these elements, but the scope of our work did not include an evaluation of Head Start's organizational structure, the adequacy of all its policies and procedures, or an evaluation of its accounting system.

Objectives of management control

The most important specific objectives of a satisfactory control system are to:

--Promote efficiency and economy of operations and produce effective results.

--Restrict obligations and costs within the limits of congressional appropriations and other authorizations.

--Safeguard assets against waste, loss, fraud, or improper use.

--See that all revenues applicable to agency assets or operations are properly accounted for or collected.

--Assure the accuracy and reliability of financial, statistical, and other reports.

Some elements of Head Start's management control system need strengthening

We reviewed program planning, grantee reporting to ACYF, the principal ACYF monitoring systems, and the levels of Federal staffing and administrative support. We found the need for improvements in all four of these management control elements.

Planning

Planning can be regarded as the cornerstone of a management control system. It is the first of several functions required for management control over resources and operations. The execution of program activities consistent with a comprehensive long-range plan is a recognized way to (1) achieve efficient and effective use of resources, (2) assure that these resources are used to support agency missions and objectives, and (3) commit high-level management to action. Head Start does not have a formal, overall long-range planning process (see p. 44).

Reporting--management information system

An internal reporting system or management information system is needed to provide management with current and reliable information as to what is going on, what progress is being made, and where action is needed. In its 16-year history, Head Start has never developed a system for accumulating current program and financial information about its primary operations, carried out by the grantees, into a common data base for use by program management (see p. 48).

Evaluation--monitoring

Program monitoring and evaluation are necessary to provide management with information about program operations, methods, systems, procedures, and practices. Monitoring helps to assure compliance with the provisions of all laws and regulations relating to agency program operations, accounting, and the administration of funds for which it is responsible. Head Start has several systems for monitoring its grantees, but these systems are not working as well as they should (see p. 53).

Personnel--staffing levels and administrative support

In staffing an agency or function, management must first determine the requirements of the job and then obtain employees who have the necessary qualifications or who can be trained to perform the work satisfactorily. In addition, management must provide adequate funding for administrative support costs, such as travel, so that the staff can efficiently carry out their responsibilities. The

program's responsibilities, activities, and administrative requirements have increased since the early 1970s, but staffing and funding for salaries and administrative support costs have not kept pace with the increase (see p. 73).

HEAD START SHOULD DEVELOP A LONG-RANGE PLANNING SYSTEM

Head Start does not have a formal, overall long-range planning system. Some long-range planning was done in the past, and some is being done now, but the planning is not sufficiently comprehensive to support management decisions as to how resources can best be allocated to carry out necessary program and administrative activities.

Previous long-range planning has not been continued

Head Start's only long-range plan was developed in 1976 at the request of the Assistant Secretary for OHDS. This plan covered fiscal years 1977-81. It included a list of problems and issues confronting grantees, regional offices, and headquarters and stated a four-part strategy to overcome these problems. Within each strategy was a list of major activities to be undertaken in each of fiscal years 1977 and 1978, and less specific plans were discussed for fiscal years 1979-81.

Our analysis of the plan disclosed that it was incomplete in certain respects. It did not

--specify tasks which would need to be performed within each strategy,

--sequence or prioritize the specific major actions stated to improve program management in fiscal years 1977 and 1978,

--set forth expected beginning and ending time estimates,

--assign action responsibility to any specific office or individual, and

--provide cost estimates for executing elements of the plan.

Despite these shortcomings in the 1976 plan, it did identify certain activities, such as issuing a grants administration manual and implementing a regional review and support system, which program management had concluded would be necessary to strengthen Head Start. We believe the 1976 plan could have provided a basis for structuring more detailed action plans. According to ACYF and Head Start officials, this was the only long-range plan ever developed for the program. In recent years, interest in long-range

planning has waned, and in May 1979 the Head Start Associate Director referred to planning as a low priority when engaged in competition with other program activities.

Current planning is incomplete and inconsistent

Some plans are now prepared within Head Start; however,

--not all program components and other major functions have plans,

--the plans which are prepared have different structures and content, and

--no system exists for bringing all the plans together.

This lack of completeness and consistency in Head Start planning and the lack of a system to consolidate plans preclude the most effective allocation of available resources by Head Start management.

Our discussions with headquarters' program officials and staff during our review revealed the following status of plans within Head Start covering the program components and other major functions as of April 1980.

Program component	Planning status
Education	Partial
Health	Partial
Social services	None
Parent involvement	Partial

Other major functions	Planning status
Handicap program	Generally complete
Training and technical assistance	Partial
Program administration	None

According to agency officials some examples of partial plans include:

--In the education component, there are plans for the basic educational skills project, but no plan for all parts of the component.

--In the health component, there are no plans for the mental health portion.

--In the parent involvement component, problems have been identified which should provide the basis for starting long-range planning, and a special parent education effort was carefully planned, but there are no overall plans for the component.

Currently, the most extensive planning appears to be for training and technical assistance and for services to handicapped children. Although neither of these are program components, they are important functions. Provisions for training and technical assistance to Head Start grantees is the primary method of acquainting grantee personnel with program requirements and the process they may use to meet these requirements. Training and technical assistance funding for fiscal year 1980 was $25 million.

Services to children with special needs are also important. In accordance with program regulations, at least 10 percent of the children enrolled in Head Start must be professionally diagnosed as handicapped. The handicap portion of Head Start was funded in 1980 for about $35 million. At headquarters we were told that in 1979, for the first time, plans for the training, assistance, and handicap functions were developed to cover a 3-year period.

The structure and content of the plans which are available differ significantly. For example, the training and assistance plan classifies actions required into two broad categories: (1) proposed training and assistance activities at the national and regional/IMPD levels and (2) supportive administrative and management actions. The plan, however, lacks specificity as to which training and assistance activities take priority over others, when actions will begin, and what the estimated costs will be.

In contrast, the plan for the handicapped begins by identifying problems in 17 areas (primarily resulting from contractor studies and evaluations), and to some extent, it provides estimates of time frames, expected costs, and staff time necessary to carry out the suggested actions. However, no priorities are set forth. This plan is the most complete of all the planning efforts in Head Start, and we noted that programwide, the handicapped component has more than achieved its 10-percent enrollment goals.

There is also no system in Head Start for bringing all the individual planning efforts together into one consolidated plan for the program. We believe this is important because of the close interrelationships between the program components and other major functions. For example, program administration, training, and handicap activities impact on and are affected by all component activities. Parents are expected to be involved in all other program components. The health and nutrition components are closely interrelated. These and other activity relationships require that

a comprehensive overall plan be developed to enable Head Start management to make the most appropriate allocation of its resources to the various competing priorities.

Planning is a Head Start requirement

The position description for the Associate Director of the Head Start Bureau specifies that the incumbent shall be responsible for the overall management and direction of the Head Start program. The stated duties and responsibilities refer frequently to planning and include directing the development of long-range plans, assessing needs, and proposing appropriate legislative and other action. The former Associate Director told us he agreed with the need to pull all the individual planning efforts together into an overall plan, but that as of March 1980, there was no one available with sufficient program expertise and planning skills to be assigned the responsibility for overall planning. He also noted that development of a planning capacity in Head Start would be hard to justify on the basis of cost and would be a low priority effort when competing with other activities. However, the Associate Commissioner of ACYF for Developmental Services, who is responsible for the Head Start Bureau, felt strongly that Head Start needs a comprehensive long-range plan.

We recognize that the development and execution of a comprehensive long-range planning system for the program would require professional planning skills and, ideally, indepth program experience. However, planning is an essential feature of a management control system. Without it management lacks an appropriate basis for deciding upon necessary courses of action and allocating resources to carry out these activities in the most efficient and effective manner.

Lack of linkage to salary and expense budget preparation frustrates planning

A primary reason for planning is to establish a basis for estimating the resources required to carry out activities which management considers necessary to fulfill program objectives. However, the Head Start Bureau does not prepare its own salary and expense budget. We confirmed that this budget is prepared by OHDS rather than by Head Start, and it is based primarily on approved staffing levels rather than resource needs identified by the Bureau. As a result, Head Start management regards planning as a somewhat futile effort. One key Head Start headquarters executive expressed his views about planning as follows: "Why do sophisticated long-range planning if Head Start funds are not available to carry out the plan?" We understand this concern over scarce resources and lack of control over preparation of the Head Start salary and expense budget, but we believe that these conditions increase the need for effective planning because a fundamental objective of planning is to make the best possible use of available resources.

In 1975 and 1978, the Congress reauthorized the program for 3 years. The current authorization expires in fiscal year 1981. We believe that forward planning for Head Start should not be less than the time period for which the program has been authorized.

Conclusions

Head Start does not have comprehensive long-range planning for all of its major program components and other major functions. The planning that is done is generally incomplete, and individual plans are not brought together into an overall planning system. Planning is an essential ingredient of any comprehensive management control system and is needed if program management is to most effectively and efficiently utilize available resources to achieve program objectives.

Recommendations to the Secretary of HHS

The Secretary should (1) direct the Commissioner of ACYF to develop and implement an overall planning system for Head Start covering all program components and major functions and (2) assure that sufficient resources are available to operate the system.

The Secretary should also require that Head Start forward planning cover a period not less than the period of program reauthorization approved by the Congress.

A MANAGEMENT INFORMATION SYSTEM IS LONG OVERDUE

In its 16-year history, Head Start has not developed a system for accumulating current program and financial information about its grantees into a common data base. Several periodic reports prepared by grantees and independent auditors provide useful information to regional and national program management. However, there is not any process for updating this information as changes occur or a computerized system which links all this information together in a data base for quick access by regional and headquarters management. One regional office has constructed a computerized system which is serving the needs of its regional management; however, efforts by OHDS to develop a programwide system are at an impasse.

Head Start's operating and financial information about grantees is not linked together, computerized, or timely

Head Start collects information from its grantees through reports from and responses to a questionnaire by the grantees and

their delegate agencies or their independent auditors, which are submitted to either the regional or national office. Features of major recurring reports and questionnaires are summaried as follows:

--Type of information - Program characteristics and operating statistics, status of compliance with program and administrative requirements, status of grant funds, financial statements, and status of activities pertaining to handicapped children.

--Purposes of reports - Used by program and grants managers at all levels to assess grantees' compliance with performance standards, account for and monitor the use of grant funds, make programmatic and management decisions, and prepare the annual report on handicapped children to the Congress.

--Frequency of preparation - Fiscal reports quarterly, other reports semiannually or annually.

--Recipients of reports - Regional program and grants management offices and the headquarters program office.

(See app. VI for a list of these reports and questionnaires.)

Each of the reports contains some information useful to regional management in carrying out its responsibility to assist and monitor grantees within their regions. However:

--Two of the reports, the Program Information Report and the questionnaire on the handicapped, are sent directly to headquarters by grantees, thus bypassing the regional offices which could use the information for assisting and monitoring grantees.

--All reports are generally historical in nature. Most include information covering the results of a full year, which is not available until several months have elasped in the new program year. Also, reports on validations of grantee self-assessments are available only once every 3 years. As a result, regional offices do not receive the information soon enough to deal with grantees' problems in a timely manner.

--When reports are received in the regional offices (except in the Atlanta Regional Office), they are handled manually. Information from them is accessed manually. If any additional computations or data correlations are desired, this must be done manually. These manual operations are time consuming, and the flow of information to management is impeded.

Head Start could make better use of certain information it has available. Until early 1978, summary tabulations of the out-of-compliance conditions found by regional offices during their indepth validations of grantees were prepared by headquarters. This practice was discontinued because, according to a headquarters official, the results were not very useful. Also, at the time of our fieldwork, findings of independent auditors of Head Start grantees were routinely tabulated by OHDS headquarters and sent to ACYF and regional offices. These tabulations are used by the regional offices, but again headquarters officials said that they are not considered useful by ACYF headquarters. Since these tabulations of out-of-compliance conditions and independent auditors' findings indicate a wide variety of grantee problems, we believe they should be used by ACYF for planning corrective efforts.

For regional and headquarters personnel to make the best use of the available information, a computer-based information system will have to be developed. Even though it is possible to operate with a noncomputerized (manual) information system, there are significant advantages to a well-designed computerized system (providing that input to the system is reliable), including faster and better information, more effective use of staff and facilities, and improved decisionmaking.

Basically, a computerized management information system captures data as close to the source as possible, enters it into the computer system, and permits the system to utilize common files (a data bank or data base) to produce different outputs needed by management. A single piece of information is entered into the system only once and from then on it is available to serve all user requirements. A computerized information system with a common data base facilitates presenting information to managers, when needed, in a coordinated rather than a segmented fashion.

One regional office has a prototype information system

The ACYF Atlanta Regional Office has an information system in operation with a common data base. It was designed and implemented by regional Head Start personnel with help from the HHS regional data management center.

The objective of this system is to provide Head Start management and regional community representatives with relevant current information about the status of each grantee within the region. Community representatives, located in each regional office, are the key Federal representatives interrelating with local Head Start programs. Their duties include interpreting the program's national and regional policies as well as monitoring and evaluating the quality of grantee performance. Information which community representatives in the Atlanta region obtain from the regional information system includes grantee funding levels; funded enrollment;

breakdown of approved budget; number of delegate agencies, centers, and classrooms; financial audit status; out-of-compliance conditions; and other information to assist the regional office in monitoring its grantees. The regional program director told us he uses this information to identify items requiring attention by the community representatives and to help evaluate their performance. Atlanta is Head Start's largest region; it is responsible for 19 percent of all grantees. The regional program director said that, without this information system, he could not stay abreast of grantees in this region.

A unique feature of this regional information system is that it utilizes the community representatives for entering all data into the system. Their data sources include the reports shown in appendix V. Community representatives are expected to have close contact with the Head Start grantees for which they are responsible. They should, therefore, have the best knowledge about the validity of information received from grantees and should be the most concerned with its accuracy and completeness because they can benefit from using the output from the system. Another desirable feature of this system is that, as new information about the grantee is gathered throughout the year, it is entered into the system. For example, if a grantee submits evidence to the regional office that an out-of-compliance condition has been brought into compliance, this new information can be entered to update the grantee's record. Thus, the Atlanta system provides regional management with the most current information available about grantees within the region.

Head Start management agrees that a management information system is needed

We discussed the need for a Head Start management information system with ACYF and Head Start management and staff in headquarters and in five regional offices. They agreed that there was a need for the system. A headquarters official told us that other regions were also interested. The need for a system has been discussed by high-level department officials for at least 4 years. In March 1976, the HHS Assistant Secretary for OHDS, during House appropriations hearings, requested funding for management information systems. In March 1978 before the same subcommittee, the Assistant Secretary said that there is some opposition to having a centralized information system because it gives some people extra power if they have information; however,

> "I, for one, believe that, if we do not have the information, centralized information system, with capacity to collect data which at least has some congruence, and if we do not develop both the software and the hardware, that we can not be responsive

to the Congress, to constituents or to States. The fact of the matter is that we have not been. * * *"

Current efforts to develop a system are bogged down

Although responsibility for designing a Head Start information system has been assigned, efforts to accomplish this are at an impasse. In the 1978 reorganization of OHDS, a new Office of Program Systems Development was established within the Office of Planning Research and Evaluation. 1/

The Systems Development Office has responsibility for planning, specifying, developing, and delivering automated and non-automated systems for management and administration. In January 1979, the Office of Planning Research and Evaluation and the Office of Administration and Management sent the Assistant Secretary a feasibility study for converting OHDS data processing and word-processing activities to mini-computer equipment. A plan was then established for using the proposed new computer capability to develop and operate a grants management information system and other components to serve program areas, such as Head Start, the Administration on Aging, and other OHDS programs.

The Deputy Director for Program Assistance Development told us that Head Start was selected as the first OHDS program to be included in the new management information system because it already had good data in its various reports. In September 1979, the Deputy Director told us that some slippage had occurred. The plan had called for work to begin on the Head Start component in March 1979. In March 1980, the Deputy Director told us that there had been no progress in designing an information system for Head Start. He said no response had been received from Head Start to his request for designating a Head Start focal point.

He also stressed the importance of obtaining the full-time services of a senior Head Start person for at least 6 months and part time thereafter to help define the Head Start system users' informational needs. This is a critically important task which should be performed early in designing a computer-based system.

1/On September 29, 1980, HHS published in the Federal Register a general reorganization of OHDS and a statement of OHDS organization functions and delegation of authority. This resulted in the abolishment of the Office of Planning Research and Evaluation and created a new Office of Policy Development. The new office is responsible for formulating OHDS policy which provides direction in establishing agency goals. The new office also acts as the central point for policy planning in OHDS and manages OHDS planning systems.

The failure of Head Start to designate a person for this function has effectively impeded all further work on the Head Start component of the new system.

The February 1980 functional description for Head Start's Program Management and Operations Division requires collaboration with HHS headquarters offices in information systems design. The division director requested in February 1980 that a new permanent, full-time position for a systems analyst be authorized and noted in the justification that the Head Start Bureau did not have a nonsupervisory employee qualified to design either management or information systems. However, later that month the former Head Start Bureau Associate Director prepared a prioritized list of new positions for the Commissioner of ACYF and the list did not include the needed systems analyst indicating that he did not consider developing a Head Start information system to be among the highest priorities.

Conclusions

Throughout its history Head Start has operated without a management information system. Information about grantees, now collected in a variety of reports and a questionnaire, could be assembled with a common data base and computerized to facilitate information updating and quick access by regional and headquarters Head Start management. One region has already demonstrated this by developing its own computerized information system. Head Start regional and headquarters management officials acknowledge the need for a new system, and work has begun within OHDS, but system development has been bogged down because Head Start has not had qualified staff nor has given a high enough priority to this effort.

Recommendation to the Secretary of HHS

We recommend that the Secretary direct the Commissioner of ACYF to develop and implement a management information system for Head Start.

SYSTEMS FOR MONITORING GRANTEES NEED IMPROVEMENT

ACYF has three formal systems for monitoring the performance of its grantees. Because the formal monitoring systems are not working as well as they should, they do not provide adequate information to determine whether grantees are operating in accordance with prescribed performance standards and Federal grant provisions. In addition, some problems found during monitoring of Head Start grantees have existed for long periods without correction. ACYF should take several actions to improve the quality of its monitoring systems and bring grantees into compliance with program and administrative requirements.

Three formal systems are used by ACYF to monitor Head Start grantees:

--Self-assessment/validation system.

--Annual audits by independent auditors.

--Program performance indicators.

Although each of these systems contributes to Federal oversight and control, each also needs improvement as discussed in the following sections. In addition to these formal systems, ACYF uses several less formal means of monitoring grantee operations.

Self-assessment/validation system

This system is used by ACYF to determine the extent of compliance with program requirements by grantees and delegate agencies. After written instruments are completed by the grantees and delegates, they are validated by teams from ACYF or by contractors. While the system has assisted ACYF to identify needed corrective actions, the system needs improvement if the maximum benefits are to be realized. In addition, some problems found during the self-assessment/validation process have remained uncorrected for long periods.

Self-assessment/validation instruments

Two written instruments are used by ACYF to evaluate grantees' compliance with program requirements:

--Self-assessment/validation instrument (SAVI)--used to assess the extent of compliance with program component performance standards.

--Administrative self-assessment/validation instrument--used to assess the extent of compliance with administrative requirements.

As part of an effort to improve grantees' performance, in 1976 OCD (now ACYF) issued a document entitled "Self-Assessment/Validation Instrument" to be used by Head Start grantees and delegate agencies in conducting an annual assessment of their program components. SAVI contains questions on each performance standard with accompanying guidance for assuring compliance in the areas of education, health (medical, dental, and mental), nutrition, social services, and parent involvement. There are a total of 162 performance standards for these components.

To evaluate grantees' compliance with program grants management and administrative requirements, ACYF has also developed an

administrative SAVI. This instrument is to be used by grantees to assess their own compliance in the following areas:

--Management system requirements.

--Personnel management system requirements.

--Personnel policies and procedures requirements.

--File and records system requirements.

--Financial management system.

--Requirements for an annual financial audit.

--Insurance requirements.

--Code of conduct requirement.

--Free competition requirement.

--Procurement procedures requirements.

--Nonexpendable personal property requirements.

--Participant eligibility requirements.

--Enrollment and attendance requirements.

The self-assessment/validation process

ACYF requires that every year each Head Start grantee, with involvement of all its delegate agencies, carry out a self-assessment and submit to regional offices the composite SAVI based on the findings of all delegate agencies and the grantee. This should be done before an onsite review by a representative of the regional office, ordinarily the grantee's community representative.

Every 3 years, teams with specialized subject area expertise visit the grantees for several days to conduct indepth validation of SAVI previously prepared by the grantees. Usually, these teams are contractor personnel although they are generally led by the regional community representatives.

The total cost of indepth validations has not been compiled; however, it appears to represent a substantial ACYF investment. Validation teams are usually comprised of at least four persons including both ACYF and contractor personnel, but more than four persons are often used when larger grantees are being reviewed. Each year about 400 validations are performed programwide. According to a headquarters official, payments to regional contractors alone for validation support and followup will cost about

$5.8 million in fiscal year 1980 or about 45 percent of the $12.8 million budgeted for training and technical assistance contracts for regional offices.

The results of the indepth validation provide the basis for an agreement between the regional offices and grantees on actions the grantees will take to bring items into compliance.

Regions also use the results to identify training and technical assistance needed by the grantees. Thus, the assessment of grantees' compliance with program performance standards and administrative requirements through the SAVI and validation process is the principal way in which Head Start programs are monitored, and needed corrective actions are identified.

Program regulations specify that, if a grantee or delegate agency fails to comply with all program performance standards within 90 days of notification, or longer if circumstances warrant extra time, the responsible HHS official is to begin suspension or termination proceedings or notify the grantee of the intent to deny refunding. According to the former Associate Director of the Head Start Bureau, most defunding actions are based on fiscal mismanagement by grantees rather than on noncompliance with performance standards unless the health, safety, and welfare of the children are threatened. He said this is because sufficient funds are not available to bring grantees into compliance with all program standards.

Self-assessment/validation problems

While grantee self-assessments and regional office validations of grantee performance have undoubtedly improved grantees' operations, some problems remain which need to be addressed by ACYF.

Inconsistent use of SAVI by regional offices

The self-assessment validations of grantee performance are not made in the same way by each ACYF regional office. Consequently, there is no assurance that out-of-compliance conditions reported from location to location represent the same deficiency. An ACYF contractor reported in 1979 that some regions view the program performance standards as maximum requirements and do not apply SAVI rigidly while other regions consider the standards to be minimum requirements and tend to be strict in their enforcement. 1/ Thus, the reported out-of-compliance conditions will not be consistent

---

1/Kirschner Associates, Inc., Grantee Management Status Report, Department of Health, Education, and Welfare, August 1979, page 132.

because there are widely varying interpretations of the level of performance called for by the standards.

Consistency of indepth SAVI validations requires that all regional office and contractor personnel participating in the validation, interpret program regulations and requirements uniformly. Presently there is no assurance of this consistency.

Grantees we visited in Montana, Colorado, Mississippi, and Alabama told us of their concern about different interpretations that they had received from different regional office community representatives. One regional director told us that some community representatives know the background of HHS regulations, but are uncertain about answering questions from grantees. It is especially important for community representatives to have a clear understanding of program requirements because they participate on validation teams and serve as team leaders. A headquarters official told us that team leaders are expected to provide expert assistance to the participating contractor personnel.

Our review of a schedule of contracts for training and technical assistance for fiscal year 1979 showed that a total of 42 contractor organizations were performing indepth validations and providing support in all 10 HHS regions and IMPD. An HHS contractor reported in 1979 that a major variable among these contractors was the method they used to prepare participating team members. Several contractors used primarily the same professionals on all validation teams, some contractors used only an information packet and training materials for their team members, and a few contractors left orientation of the teams up to the ACYF team leader. 1/

Because community representatives do not interpret program requirements consistently and because they lead validation teams which may be comprised of program and contractor personnel who lack extensive knowledge of program requirements, there is no assurance of consistency in determining out-of-compliance conditions which need correcting.

In our opinion this is a longstanding problem resulting from the failure by ACYF to properly train its community representatives to understand the meaning of program requirements.

Training of community representatives is essential

Community representatives must be adequately trained to carry out their program monitoring responsibilities and adequately

---

1/Kirschner Associates, Inc., Grantee Management Status Report, Department of Health, Education, and Welfare, August 1979, page 132.

interpret program regulations and requirements. Although some representatives have attended training courses, headquarters and regional officials told us that ACYF does not offer a comprehensive training course which would equip the representatives to perform a wide range of duties. These duties, in addition to monitoring, include but are not limited to:

--Assisting grantees to prepare grant application packages.

--Providing technical assistance.

--Interpreting and defining Federal policies and guidelines.

--Helping grantees to coordinate their activities with other related programs.

--Analyzing grantees' budget proposals and detailed work programs.

According to officials, ACYF has recognized that training is necessary and has begun to take action. It conducted a training needs assessment in 1979, and in January 1980, requested the OHDS Contracts Management Division to prepare a request for proposal for a contract to train all Head Start community representatives.

An ACYF representative told us on September 9, 1980, that a request for proposal had not been issued, but that ACYF and OHDS approvals were pending and that the contract would be funded after September 30, 1980.

Problems identified during the self-assessment/validation process have remained uncorrected for long periods

Although ACYF is experiencing problems with the self-assessment/validation system, it has been useful to ACYF in identifying the noncompliance status of its grantees and delegate agencies. ACYF has not, however, achieved its desired level of success in correcting the noncompliance conditions found.

OCD (now ACYF) reported in a 1976 goal statement for Head Start that data from a variety of sources indicated that many programs were currently out of compliance with program performance standards in one or more program areas and noted that some programs would need longer than the established 90-day period to achieve compliance. OCD further stated that, through a variety of efforts, it would work to strengthen the ability of grantees to comply with the standards by the end of fiscal year 1977.

Because no overall compilation of grantee compliance status is made by ACYF, it is not possible to determine the percentage of Head Start grantees out of compliance with each performance

standard or to determine the length of time they have been out of compliance. However, ACYF has not achieved its objective of bringing all grantees into compliance with the performance standards.

In one region, which tabulates its grantees' compliance status in a computer-based information system, the following sample of compliance status was reported in one State as of March 1979:

Performance standard	Percent of grantees not in compliance
Strategies for achieving educational objectives	16
Procedures for ongoing observation, recording, and evaluation of each child's growth and development	24
There shall be a safe and effective heating system	20
Parent training in activities that can be used in the home to reinforce the learning and development of their children in the center	32
Identify the nutritional needs and problems of the children in the Head Start program and their families	20

Better and worse rates of compliance were reported for many other performance standards. The Director of the Office of Service Delivery Assessment in this region told us that what often happens is that the same items are found out of compliance yearly.

We believe that longstanding out-of-compliance conditions are occurring for at least three reasons:

--Some grantees lack the funds to correct out-of-compliance items.

--Followup by regional personnel to help assure compliance is inadequate.

--ACYF has not developed an administrative manual which is needed to help grantees understand program requirements.

Some grantees lack funds to correct out-of-compliance items

In many cases, the inability of a grantee to comply with program standards can be attributed to the lack of funds. We estimate

that lack of funds could cause a problem of compliance with at least 81 (or 50 percent) of the 162 standards. For example, these would include requirements for:

--Safe and effective heating systems.

--Fenced outdoor play areas.

--Sufficient furniture, equipment, and material.

--Special provisions for handicapped children.

--Medical and dental examinations.

--Meals meeting certain nutritional requirements.

The one region, Atlanta, which tabulates its grantees' out-of-compliance conditions, also obtains estimates from the grantees of their additional funding needed to offset space, transportation, and other costs so that they could achieve compliance. The regional summary for March 1979 showed that grantees in Mississippi would need about $4.4 million of additional funding. This is 10.2 percent of the $42.7 total fiscal year 1979 funding for Mississippi. Alabama would need an additional $736,236 (about 5.25 percent) of its fiscal 1979 funding level of about $14 million. A 1979 study of its grantees by the ACYF Kansas City Regional Office disclosed that a 15.4-percent supplement to regular funding would be required if grantees in that region were to continue their current enrollment levels and meet mandated performance standards.

Although these are not statistically valid estimates, they indicate that grantees might need between 5 and 15 percent additional funding to meet program standards compliance requirements. When these percentages are applied to the $691 million allocated to Head Start grantees in fiscal year 1980, the resulting estimate of additional funds needed ranges from $34.6 million to $103.7 million to achieve full compliance with program standards. We believe that much of the money would be a one-time requirement because such cost as major facility maintenance (e.g., new roofing or plumbing) and bus purchases would not usually recur annually. Other costs, such as minor maintenance, medical and dental examinations, and food are recurring.

The most recently revised SAVI and the administrative SAVI now include, for the first time, an identification of reason for non-compliance including:

--Insufficient funding available.

--Insufficient resources available in community.

--Staff lacks adequate skills/knowledge.

--Insufficient staffing.

--Inadequate parent involvement support services.

--Inadequate recordkeeping.

We believe that gathering this kind of information should improve the self-assessment and validation process because it will enable Head Start officials to focus attention on the specific type of corrective action required. However, whenever insufficient funding is identified as the cause for noncompliance, the estimated funds required should be calculated by the grantee, verified by the community representative, and tabulated by each ACYF regional office to help support funding requests and fund allocations to grantees. The need for ACYF to gather and analyze grantees' cost of services is further discussed in chapter 4 on page 39.

Regional office followup is inadequate

Followup by regional personnel after program monitoring is completed is necessary to provide grantees with technical assistance and to assure that grantees have taken corrective actions. In our 1975 report, we stated that followup was not adequate because of limited staff. Followup is still inadequate. According to regional directors the community representatives either do not have time to follow up on grantee corrective actions or travel funds are not available to pay for the required trips. Our analysis of Head Start staffing disclosed that there is a question whether staffing in regional offices is adequate for handling all the responsibilities assigned, and it also disclosed that a shortage of travel funds has prevented community representatives from making necessary trips to grantees. (See p. 81.)

A Head Start administrative manual is needed

A Head Start administrative manual for use by grantee and project directors and staff should be issued by ACYF. The usual method used by Head Start to help bring grantees into compliance with program performance standards is by providing them training and technical assistance, either by contractors or by regional office personnel. However, according to ACYF officials, this training has to be repeated frequently because of a high turnover rate among project directors and staff results in a continuous demand for training. We believe that an administrative manual containing models of acceptable grantee records and procedures would be a less costly alternative to some training.

In December 1979, ACYF issued to all Head Start grantees and delegate agencies an updated compilation of all applicable Head Start policies and regulations. Sometimes ACYF has issued guidance on how to carry out these requirements at the project level. For example, in fiscal year 1979, a set of eight manuals was issued covering the mainstreaming of handicapped children. In Head Start programs, mainstreaming is defined as the integration of handicapped and nonhandicapped children in the same classroom. The manuals include sections on how to plan, how to work with parents, how to locate social services, and other "how to" information. As another example, in 1980 two new handbooks were issued on parent involvement in the Head Start program and on providing social services. These covered such subjects as how to write involvement and social service plans, how to conduct outreach and enrollment, and how to establish and maintain records of parent involvement and social services.

However, there are several administrative areas where "how to" guidance has not been issued by ACYF headquarters for use by grantees, and because many grantees do not know how to perform certain administrative tasks, they may be out of compliance in these areas, but not know how to correct the problems in a manner acceptable to ACYF.

Poor recordkeeping, for example, is often cited by validation teams and by independent auditors during their reviews. There are many records which must be maintained by grantees, such as records of attendance, eligibility notification, health status, immunizations, parent policy council, handicap diagnoses, and others, as well as all records required for fiscal accountability. We believe Head Start should publish basic requirements for recordkeeping including examples (models) which would be sufficient to meet the needs of most grantees and those responsible for program monitoring. Another example of needed "how to" guidance is that ACYF policy requires that "the design and selection of program options is to be based on an assessment of the child development needs of the broader community as well as the needs of the current enrollees and their families." However, guidance has not been issued on how to perform and document these needs assessments.

In its 1979 report on Head Start grantees, an ACYF contractor stressed that, in many of the middle sized and smaller grantees, procurement procedures were often unwritten and controls were nonexistent. 1/ It also noted that a model should be developed for time and attendance reporting systems and that model contracts should be written which can serve as a reference guide for grantees

---

1/Kirschner Associates, INC., Financial Management Analysis Report, Department of Health, Education, and Welfare, May 1979, pages 57 and 58.

entering into contractual arrangements. 1/ The list of topics which could be covered in procedural guidance is extensive.

Some grantees have developed and documented their own procedures to satisfy their needs; however, others have not. Most of the grantees we visited told us that an administrative manual would be helpful to them. ACYF headquarters and regional officials agreed.

There are several potential benefits which would result from issuance of administrative or procedural guidance (models) to grantees including:

--Reducing the cost of repetitive training and technical assistance.

--Improving rates of compliance with program performance standards and administrative requirements.

--Increasing the accuracy of reports prepared by grantees for ACYF.

--Improving communications among all program levels (headquarters, regional, and local).

--Enhancing the establishment of a management control system by grantees.

--Serving as a reference point for grantee management training.

--Strengthening program monitoring by helping to assure more consistent understanding of program requirements.

--Improving operational efficiency, reducing frustration, and improving morale at all levels because of mutual dependence on uniform guidance.

The potential benefits of issuing procedural guidance are great, and in our opinion this effort should not be costly. During our review, we found several manuals concerning various areas of administration which had been prepared by contractors for individual ACYF regional offices. For example, one manual included sections on management by objectives, internal control, and fiscal procedures while another covered program options, personnel policies, and procedures and communications. The most comprehensive manual we found was prepared in HHS' Region X (Seattle) at OCD expense in 1973. Among other subjects, this manual included sections on recordkeeping and needs assessments. We believe that by gathering information from the contents of these manuals ACYF would be be able to issue updated procedural guidance at a minimum cost.

1/Ibid., pages 131 to 133.

We do not believe that Head Start should attempt to precisely define procedural requirements for grantees because some have already established systems and procedures adequate for their own needs which should meet accountability requirements. We do believe, however, that Head Start can benefit from issuance of procedural models or general guidance which can be used by grantees.

Annual audits of Head Start grantees

The second formal monitoring system is comprised of annual independent audits of Head Start grantees. Frequently, audit reports are received late and are not processed by ACYF regional offices in a timely manner. HHS guidance for auditors does not require or suggest the preparation of balance sheets and does not recommend sufficient cost detail in the Statement of Revenues, Expenses and Changes in Fund Balance. The prescribed statement format provides for only a few descriptive expense categories and two "catch-all" expense categories, which could include major items of expense. These problems impede the effective administration of grants. In addition, some audit work required by HHS overlaps with work performed by ACYF monitoring teams.

Federal regulations require that an annual audit of the Head Start program covering the prior budget period of each Head Start project and its delegate agencies be made by an independent auditor to determine whether:

--The agency's financial statements are accurate.

--The agency is complying with the terms and conditions of the grant.

--Appropriate financial and administrative procedures and controls have been installed and are operating effectively.

Most of these audits are made and reports prepared by private certified public accountants, and they represent the only independent monitoring of grantees' fiscal operations.

We did not evaluate the audit process, the quality of audit work, or followup efforts. However, we discussed these audits with headquarters and regional Head Start program management and grants management officials. We also reviewed a consultant's 1979 report on Head Start management and other materials indicating that because of several problems the value of these audit reports to Head Start and OHDS grants management personnel is diminished. 1/

1/Ibid., pages 114 to 118.

HHS regional offices often receive reports from independent auditors late, and after they are received, they are often not reviewed by HHS regional auditors and OHDS grants management personnel in a timely manner.

Although program regulations require that these reports be submitted by the auditors within 4 months after the prior budget period, they are often not submitted on time. In 1979, an HHS contractor found that 58 percent of the reports were late and that the late reports in its sample were an average of 77 days overdue. 1/ In 1980 the Surveys and Investigations Staff, House Committee on Appropriations, reported that 16 of the 35 (46 percent) audit reports on Head Start grantees which they examined were not issued within the required 4 months. 2/

Independent auditors are required to submit copies of their reports to the grantee, the regional HHS audit agency, and the OHDS regional or headquarters grants management office. HHS auditors review the reports, record findings, and notify grantees of the responses required from them in order to resolve the findings. Grants management offices are responsible for following up on responses from grantees.

According to regional grants management officers we interviewed, there are often substantial delays in both the regional audits and grants management offices because insufficient personnel are available to process the reports in a timely manner. For example, one regional grants management officer told us that the HHS audit agency in that region had a 1-year backlog of audit reports and that, once the reports reached his office, another 6 months was usually required for processing. In another region the grants officer was working to clear a backlog of over 100 reports.

Late receipt of audit reports from independent auditors and processing delays in HHS audit and grants management offices cause some loss of fiscal control over grantees. One important use of these reports is to verify the amount of funds not used by the grantee, if any, which results in a reduction of succeeding grants. Another use is to identify any grantee's expenditures that an auditor recommends be disallowed and which, if sustained by further review, causes an adjustment to the succeeding grant. While these adjustments can be made in the future, better fiscal control is

---

1/Ibid., page 117.

2/Report to the House Committee on Appropriations by the Surveys and Investigations Staff of the Departments of Labor; Health, Education, and Welfare; and related agencies, the House Appropriations Committee, Head Start Program Funding and Administration, February 1980, page 35.

exercised when they are made in a timely manner. When delays are experienced, a grantee may have gone through one grant refunding cycle and be well into a subsequent refunding period before adjustments are made.

Although ACYF regional program directors and grants management officers agreed that the audit reports were valuable for fiscal control, there was a lack of concurrence among grants officers regarding report quality. According to the grants officer in Head Start's largest region, the audit report quality has been generally satisfactory, but in another region the grants officer, also a certified public accountant, referred to the quality as fair to poor.

A shortcoming of audit reports for the grantees we visited is that the expense categories in the audited statement of revenue, expenses, and fund balances do not usually contain sufficient detail. That is, large amounts of cost are reported in the "other" and "contractual" expense categories. These categories appear to be used for reporting such major items of expense as rents, utilities, and transportation. We believe that this lack of detail is occurring because the HHS audit guide for Head Start suggests that auditors follow a prescribed report format which includes the "other" and "contractual" expense categories instead of more descriptive categories.

Quarterly financial status reports prepared by grantees and submitted to OHDS regional grants management offices also do not contain identification of the categories of expenses. Therefore, grants management and program personnel do not receive sufficiently detailed information from grantees to permit them to monitor grantees' expenditures in the same level of detail as shown in the grantees' application for funding.

Another shortcoming of the financial statements prepared by independent auditors is that some do not include balance sheets. We believe this is because HHS guidance for auditors does not include a balance sheet as a requirement or a suggested exhibit. A regional grants management officer told us he is particularly concerned about this because, without a balance sheet, HHS is unable to determine the grantees' liability status at yearend. Without a balance sheet they are also unable to determine the grantee's cash balance, fixed asset status, and other important financial information at yearend as verified by the independent auditors, and this results in some loss of fiscal control.

New "Guidelines for Financial and Compliance Audits of Federally Assisted Programs" were published in February 1980. These guidelines, developed by GAO, the Office of Management and Budget (OMB), and the Intergovernmental Audit Forum are intended to replace

individual program audit guidelines previously used. The new guidelines include examples of improved financial statements including balance sheets and a more comprehensive breakout of administration and general expense and, when used by independent auditors, they should result in improved financial statements in the audit reports for many Head Start grantees. However, the new guidelines are prescribed for audits of State and local governmental organizations which are grantees for about one-third of all Head Start projects, and the guidelines do not apply to the nonprofit community action agencies which sponsor about two-thirds of all Head Start projects.

Because the new audit guidelines containing suggestions for improved financial statements do not apply to many Head Start grantees and because the 1977 Head Start Audit Guide does not require balance sheets or an annual operating statement showing sufficient expense detail to meet the needs of OHDS regional grants management offices, we believe that ACYF should issue additional guidance to independent auditors of the Head Start program. This guidance should require that balance sheets be included in all audit reports and that the expense categories be expanded to include all major categories of expenses incurred by Head Start projects.

Two other problems with audit reports noted by an HHS contractor in a 1979 study of 24 Head Start grantees are that:

--The required auditor's certification on the final quarterly report of expenditures by the grantee was not included in 15 of the audit reports submitted.

--Exit interviews, as required by HHS, were not conducted or reported in 18 of the audits examined. Exit conferences help to insure the accuracy and completeness of the facts presented and the conclusions reached.

A final problem, identified by regional directors, staff, and grants management personnel, is that independent auditors should not be required to review and report on grantees' compliance with pertinent legal and regulatory requirements. This is because the compliance portion of the audit largely duplicates work done by community representatives and validation teams when visiting grantees, and because independent auditors are not generally as familiar with program requirements as the HHS regional office program personnel.

HHS audit guidelines set forth procedures for the auditor to use in evaluating grantee compliance with program regulations in several areas including:

--Property management.

--Personnel management.

--Facility standards.

--Health records.

--Participant eligibility.

These are the subjects covered by program personnel using either SAVI or administrative SAVI. (See p. 54.) With the formal issuance of the administrative SAVI, we believe Head Start should eliminate administrative compliance reviews by independent auditors except where noncompliance would have a material effect on the financial statements. For example, participant eligibility should be checked by independent auditors because the program might be serving some ineligible persons and some costs might be disallowed. However, health records need not be checked by independent auditors. This function is more appropriate for program personnel. Duplication of compliance testing results in unnecessary audit costs. We estimate that independent audits cost about $3.5 million annually. Elimination of unnecessary audit coverage should help reduce audit costs.

Independent auditors who are unfamiliar with the program's administrative requirements also create an additional workload for HHS regional offices.

When auditors report that a grantee has not properly conformed to program administrative requirements, the noncompliance item(s) is entered into a computerized system for followup by the regional grants management office, and a monthly status report is prepared in Washington, D.C., for distribution to ACYF regional offices. According to some regional grants management officers, many of the items entered into this system for followup are too small to be significant or they are incorrect due to the auditor's misunderstanding of program requirements. For example, a common audit finding is that the grantee exceeded its annual budget. However, according to a grants officer, this may be incorrect because, in certain circumstances, the grantee is given flexibility to change its annual budget because of approved changes in the budget for certain items. Another common finding is "insufficient inkind contribution." According to the grants officer, this finding is sometimes incorrectly reported by the auditor because of his or her inexperience. To correct this problem, one region attempted to set up training sessions for its outside auditors, but was unsuccessful because the auditors did not want to incur the expense of attending training sessions.

Program performance indicators

The third formal monitoring system consists of a set of performance indicators for measuring key dimensions of service quality and program performance. The indicators are results-oriented in

nature and can include program services and activities and, in some instances, actual program impacts. Of the 16 indicators, 6 focus on the health area; 2 each on education, handicapped children, and parent involvement; 1 each on nutrition, social services, and cultural responsiveness; and the last indicator, on parent impacts and satisfaction, is being developed. The primary source of data for constructing the performance indicators is the Program Information Report prepared by grantee and delegate agencies and verified by an HHS contractor. ACYF should begin using regional office community representatives, instead of the contractor, for data validation to enhance the quality of the indicators and reduce the cost of contractor services.

Development of the program performance indicator system began in 1978 at the request of the Secretary of HHS, and the first full-year report was issued by ACYF in February 1980 covering program results for the full 1978-79 program year.

Head Start performance indicators are intended to represent aspects of program performance which are of special interest to policymakers and program managers. ACYF expects the indicators to be useful for cross-program comparisons and to serve as catalysts for program improvement.

Information for construction of the indicators is derived from the following sources:

--The Head Start Program Information Report - is completed semiannually by each Head Start grantee and delegate agency. It is used for reporting characteristics of the program, staff, and children; funds received and costs incurred; enrollment data; and program component operating statistics. This report is the source of 12 performance indicators including 6 on health and 1 each on education, nutrition, social services, parent involvement, cultural responsiveness, and program costs.

--The Annual Handicapped Survey - provides information on handicapped children enrolled in Head Start and on services provided to them. It is the source of two indicators.

--Classroom Observations - during the second half of the program year, trained observers visit a sample of classrooms at grantees scheduled for indepth validations. Using a checklist they observe teacher behaviors, classroom activities, and resources. This checklist is the source of information for one indicator.

In addition, an interview instrument to be used as a basis for an indicator of impact on parents and satisfaction is under development by ACYF.

Program performance indicators are quantitative in contrast to SAVI results (see p. 54) which are qualitative. For example, one indicator shows the numbers and percent of Head Start children who have received complete dental examinations. SAVI does not request quantitative data but asks: "Are the following basic dental care services obtained or arranged for?"

--Dental examination.

--Restoration of decayed primary and permanent teeth.

--Pulp therapy for primary and permanent teeth.

--Extraction of nonrestorable teeth.

Thus, the quantitative performance indicators and the qualitative SAVI results are complementary and, used together, they should prove valuable in evaluating the effectiveness of individual Head Start projects.

The first full-year performance indicator report covering the 1978-79 program year was issued in February 1980. Included in this report were responses from over 95 percent of all Head Start grantees. Results were displayed for individual indicators within each program component (e.g., health and education) and each region which facilitates comparison. For example, the percent of Head Start children who received required medical screenings ranged from a low of 69 percent in Region IX to a high of 90 percent in Region II, and the percent of families receiving social services from Head Start ranged from 29 percent in IMPD to 71 percent in Region II.

ACYF recognizes that these regional statistics need further analysis and explanation. In April 1980, a meeting of headquarters and regional personnel was held in Washington, D.C., to discuss establishing performance targets. Performance indicator packages, including performance profiles of each grantee within the region, were provided to regional office personnel. Regional offices will do additional work to explain the variations in performance indicators among grantees in their regions. ACYF plans that regional community representatives will participate in establishing performance targets and developing action plans identifying the activities that will be undertaken by local programs to improve their performance.

We believe that the performance indicator initiative has the potential for providing program management with valuable information about the performance of individual grantees and ACYF regional offices, but the effort is in its early stages, and data are not yet available to use in evaluating the results of monitoring grantees with this system.

ACYF estimates that the fiscal year 1980 cost of the performance indicator initiative will total about $391,000. Of this total, $332,000 (or 85 percent) is being paid to a contractor for compiling, analyzing, verifying, and reporting program information report data. The ACYF program analyst in charge of the performance indicator effort explained to us that the contractor was used instead of ACYF regional office personnel for reviewing and verifying data on program information reports to improve the accuracy and consistency of the data base for the full-year performance indicators. The analyst said that previous editing of this data by regional community representatives had been inconsistent.

While the use of a contractor may have facilitated preparation of the full-year report, we believe that ACYF should make plans for training and using regional office community representatives to review and verify the program information report in the future. Community representatives are required to have close contact with projects assigned to them and, once trained in how to interpret specific items on the program information report, they should be better qualified than a contractor to evaluate the accuracy of most of the data reported by the grantees for whom they are responsible. Because community representatives are among the primary users of the performance indicators, largely based on data taken from the program information reports, they have a vested interest in assuring the accuracy of information being used to compile the indicators. One HHS regional office which has already developed a computerized management information system (see p. 50) uses its community representatives for entering all data into its system. This includes data extracted from the program information report.

Use of properly trained community representatives to validate data reported by grantees before entering it into the performance indicator system should enhance the quality of the indicators and reduce the cost of compilation through eliminating some unneeded contractor services.

- - - -

The three formal grantee monitoring systems provide a structured and comprehensive review of program and financial activities. Additional scrutiny of grantees' operations is accomplished less formally by:

--Routine visits to grantees by community representatives and specialists, such as handicap or parent involvement specialists throughout the year.

--Regional office reviews of grantees' funding applications, program narratives, and plans.

--Regional grants management reviews of grantees' quarterly financial status reports.

--Regional grants management reviews of selected grantees' fiscal procedures.

--Feedback to regional offices by training and technical assistance contractors who visit grantees.

--Special purpose contractors' studies of grantees.

Conclusions

ACYF has three formal systems and several less formal processes for monitoring the program, administrative, and fiscal performance of its grantees. The formal monitoring systems need improvement to provide ACYF with reasonable assurance that Head Start grantees are operating in accordance with prescribed performance standards and Federal grant provisions.

Recommendations to the Secretary of HHS

We recommend that the Secretary direct the Commissioner of ACYF to take the following steps to improve the three formal monitoring systems:

--Review the training planned for community representatives to see that it is designed to produce consistency in interpreting program requirements and grantee monitoring.

--Determine what, if any, additional funding is needed by grantees to bring their programs into full compliance with performance standards and administrative requirements.

--Assure that adequate resources are made available to regional offices so that followup of monitoring efforts can be achieved.

--Issue a manual to grantees including models of administrative forms, records, and procedures.

--Work with regional office auditors and OHDS grants management officers to improve the timeliness and expedite the regional offices' review of independent auditors' reports.

--Work with the HHS Audit Agency on developing and issuing additional guidance to independent auditors requiring the submission of balance sheets and operating statements showing more detail on expenses.

--Work with the HHS Audit Agency and the OHDS Grants and Contracts Management Division to eliminate the requirements for independent audit work which duplicates functions performed by ACYF monitoring teams.

--Direct regional office community representatives to validate grantees' program information reports before entering the data into the performance indicator system.

STAFFING LEVELS AND FUNDS FOR ADMINISTRATIVE SUPPORT HAVE NOT KEPT PACE WITH INCREASED RESPONSIBILITIES

Since the early 1970s, Head Start program responsibilities have increased, but staffing and funding for salaries and expenses have not kept pace. New activities and administrative requirements have been added to Head Start; however, effective program management is jeopardized because the number of staff has remained relatively constant and the funding level for salaries and expenses has remained relatively low.

Program responsibilities have increased, but staffing levels have not kept pace

Since responsibility for the Head Start program was delegated by the President from OEO to HHS in July 1969, Head Start has grown in terms of increased program responsibilities and administrative requirements, without a corresponding increase in its administrative capacity. The following Head Start activities began in 1972.

--Handicap program: This was created in response to the congressional mandate that at least 10 percent of Head Start enrollment in each State consist of handicapped children. About [illegible]000 handicapped children were enrolled as of April 1980.

--Child Development Associate Training program: This was undertaken to improve the competence of Head Start classroom staff. It has assessed and certified more than 6,000 persons since 1972 and had about 8,000 Head Start staff members in child development associate type training as of April 1980.

--Head Start Supplementary Training program: This enables both staff and Head Start parents to receive education and training at the high school, college, and graduate levels in a variety of educational institutions countrywide.

Subsequently, several other major activities were started, including the following:

--Program performance standards and SAVI, which were implemented in July 1975. This process requires annual self-assessments by about 1,900 local Head Start grantees and delegate agencies, and it requires annual reviews by HHS regional community representatives of these local assessments. Also, once every 3 years a comprehensive onsite

review is made by HHS regional representatives to validate local grantees' assessments. (See p. 55.)

--Program Information Report was developed in 1976 for collecting data in a standardized form, semiannually, from all grantees and delegate agencies.

--Program Performance Indicators initiative began in fiscal year 1979 to collect data from all grantees and delegate agencies for periodically measuring the performance of Head Start programs in key program areas of special interest to policymakers and program managers, to pinpoint areas requiring management attention at the Federal and local levels, and over time, to improve program management and service quality.

--Expansion of Head Start during fiscal year 1978. This was the first major expansion of the program since it began in 1965, and it brought more than 67,000 new children into the program, involving about 630 grantees--580 existing grantees and 50 newly funded grantees.

These and other new activities increased administrative requirements and workloads for Head Start staffs in headquarters and regional offices; however, there was not a corresponding increase in Head Start staffs during the 1970s.

Officials and representatives from headquarters and three of the five regional offices that we visited expressed concern over Head Start's staffing problems. They cited insufficient numbers of authorized staff positions, vacant positions, and lost positions (vacant positions subsequently withdrawn by OHDS) as problems that impaired Federal management of Head Start activities. The former national Head Start Associate Director told us that the headquarters and the regional offices were understaffed, considering the size of the Head Start program. He said that his attempts to get additional positions authorized for Head Start were unsuccessful, and that in fact, there has been a gradual reduction in the number of positions in headquarters. Also, some Head Start positions in headquarters have remained vacant for several years. As support for his contention that while the Head Start program has experienced continued growth, staffing of the program in headquarters has not kept pace, and in fact has lost positions, he gave us the following table, dated January 17, 1980:

Year	Funding	Percentage increase (cumulative 1973-80)	Permanent full-time staff on board	Percentage increase in staff (cumulative 1973-80)
	(000 omitted)			
1973	$392,000	-	46	-
1974	393,200	-	50	8.6
1975	441,000	12.4	54	17.4
1976	454,400	15.9	52	13.0
1977	475,000	21.1	51	10.9
1978	625,000	59.4	50	8.6
1979	680,000	73.4	47	2.1
1980	735,000	87.4	47	2.1

These staffing statistics were substantiated by our analysis of records showing headquarters staffing at various dates between January 1973 and February 29, 1980. Also, our analysis disclosed that during this period of 7 years and 2 months, reorganizations occurred in 1975 and 1978. The table in appendix VI compares the organization of Head Start headquarters at January 1973 and February 29, 1980, and shows the number of authorized permanent full-time positions, the activities that were discontinued and positions that disappeared, and the number of vacant positions on these two dates.

On January 22, 1980, the Commissioner-Designate of ACYF indicated in a memorandum to his unit chiefs, his intent to take all possible steps to alleviate staff shortages and requested unit chiefs to furnish him with information on staffing needs, priorities, etc., by February 11, 1980, in order to present the total ACYF staffing needs to the Acting Assistant Secretary for OHDS.

The Associate Director, Head Start Bureau, responded on February 11, 1980, to the Commissioner-Designate of ACYF with a detailed analysis of the current staffing capability for the assigned responsibilities of the Head Start Bureau. This response contained a list of 10 staff positions that included 7 existing staff vacancies and 3 proposed new positions. The response also included justifications from Head Start division chiefs for 40 additional new positions as follows:

	New positions
Program Management and Operations Division	14
Program Analysis Division	2
IMPD	8
Development and Planning Division	16
Total	40

The February 11, 1980, response included comments on Head Start's historical staffing problems, some of which are quoted below:

Office of the Associate Director

"The Deputy Director has been an authorized position since 1965. * * * This position has not been filled since 1972."

IMPD

"Historically, IMPD has been understaffed." "For many years the IMPD staff has been assuming a double workload to insure that local grantees receive at least some attention-usually in a crisis situation. There is no opportunity for assisting grantees in an ongoing, systematic approach to improving program operations and achieving or exceeding Head Start Performance Standards. On-site assistance to grantees is minimal-basically to conduct required SAVI visits, but followup site visits are not possible with the present workload assigned to each staff person." "* * * numerous attempts have been made to improve the shortage of staff and the lack of specialists in the Indian and Migrant Programs Division. Repeatedly negative action has resulted in the 'status quo' which in turn, translates into additional workload and demands on the IMPD professional and support staff."

Development and Planning Division

"This staffing request reflects, in our collective judgment, the minimum number of positions required to perform presently assigned functions with the professional competence that is necessary to really contribute to Head Start program quality. Substantially more staff could be used to augment activities in important respects. We are refraining from submitting such a request at this time, since it appears unrealistic in view of staffing constraints which are likely to continue to affect ACYF. * * * Positions have radically declined since the Division was formed in 1972. At the same time, our responsibilities have increased exponentially. For many years, due to heroic efforts on the part of a dedicated staff, we were able to make a dramatic contribution to the success of Head Start nationwide despite our scarce people resources. During the past two years, the inevitable has happened, the Division is starting to fall apart. Staff are leaving. Other staff are experiencing physical and mental 'burn-out.'

Quality is declining day by day. Over time, this will adversely affect programs at the local level. In my opinion, this is already happening."

The February 11, 1980, response also indicated a severe staffing shortage in the Program Analysis Division. Of the six authorized positions for this Division, the two high-level positions were vacant, the next position in importance was occupied by a person who had been detailed to IMPD and who planned to transfer to IMPD, the occupant of the fourth position was on defacto detail to the Program Management and Operations Division, the occupant of the fifth position had been on extended leave for several months and had subsequently resigned on February 4, 1980, and the occupant of the sixth position--a program assistant--was assisting in various data gathering projects. The Program Analysis Division was established in 1978 to provide Head Start with analytical capacity. The former Associate Director of Head Start told us on March 3, 1980, that this division had never been activated because it had never been staffed. He said that the Director of the Division had left Head Start shortly after the Division had been created in 1978. Another Head Start official said that the Division exists on paper, but has never actually existed. Our staffing analysis disclosed that the Director's position remained vacant from December 1978 to August 1980.

IMPD has unique staffing problems because of its organizational structure. It is a division in Head Start headquarters, but it is often referred to as the eleventh region of HHS and it functions similarly to the 10 regional Head Start offices. However, IMPD lacks certain positions that were authorized for the typical Head Start regional staff, such as Children's Services Specialist, Early Childhood Specialist, and Program Review and Resource Specialist. To document the current IMPD staffing situation, the IMPD Director made a comparison of IMPD's workload and staff with that of Regions III and VIII. These regions were selected because Region III has Head Start funding that is comparable to IMPD, and Region VIII has the least amount of Head Start funds. The comparison disclosed the following:

Item	Region III	IMPD	Region VIII
Head Start funding	$36,122,428	$35,000,000	$11,487,129
Total children enrolled	27,199	25,000	8,213
Number of grantees	114	124	55
States covered	6	39	6
Number of Head Start employees	22	12	15

Our review disclosed staffing problems in the Development and Planning Division which included the following:

--The Home Start activity (Head Start services provided to children in their homes instead of in classrooms) had not been staffed for over a year, as of February 11, 1980. Site visits had not been made to any of the Home Start training centers or any of the more than 400 home-based Head Start programs. According to the division director, this project had been "coasting" on past successes.

--The Director of Parent and Child Centers, Social Services, and Parent Involvement had no staff to assist in the management of these three major program areas in Head Start. Requests for reinstatement of a Social Services Specialist position had been made since 1972, but not granted.

--According to the education officer, the staffing as of February 11, 1980, is completely inadequate to cover the many responsibilities of the Education Branch of Head Start. This component (1) is the largest and most complex of the program components, (2) spends about two-thirds of Head Start program funds, and (3) directly affects the lives and activities of over 350,000 Head Start children.

--The Health Services Branch was understaffed. For example, the mental health activity was not staffed, as of February 11, 1980.

In August 1979 the former Commissioner of ACYF told us that the Head Start staffs at headquarters and regional offices are not adequate in size to do all that is required of them. Officials at three of the five regional offices that we visited expressed concern about understaffing of their Head Start activities.

An ACYF headquarters' official told us in February 1980 that the 10 regional offices should have a total of 261 ACYF positions (full-time permanent), that a minimum of 231 positions was included in the November 22, 1978, reorganization, and that subsequent reductions by OHDS have reduced regional office staffing to 217 positions. This official also said that each regional Head Start staff should have the following five specialist positions:

--Education.

--Parent Involvement.

--Administrative Program.

--Social Services/Outreach.

--Health.

Our analysis disclosed that at the end of fiscal year 1979, the 10 regional office ACYF staffs had a total of 220 permanent full-time positions, of which 139 were Head Start positions. Also, of the recommended 50 regional specialist positions, our analysis showed that there were 31 specialist positions, and that 9 regional offices did not have a Health Specialist, and 9 regional offices did not have a Social Services/Outreach Specialist. We also found that most regional offices supplemented their permanent staffs with part-time employees--a total of 48. One regional office, with a very large Head Start workload, made extensive use of part-time employees, by staffing 20 of 39 positions with permanent part-time employees, of which 11 worked 39-hour weeks. The 20 part-time positions included 14 community representatives.

Headquarters officials told us that the limiting factor in staffing is the yearend employment ceilings, provided by the Secretary of HHS to OHDS, based on the overall employment ceiling for HHS imposed by the President. OHDS establishes an employment ceiling for each of its organizational units, such as ACYF. Head Start staffing is limited to the number of positions authorized by the Commissioner of ACYF. The following table shows the yearend employment ceilings for OHDS for fiscal years 1979 and 1980, imposed by the Secretary of HHS.

End of Year Employment Ceiling

	1979	1980	Decrease (percent)
Full-time permanent employees	1,837	1,467	20
Part-time, temporary, and other employees	210	193	8
Total employment ceiling, OHDS	2,047	1,660	19

In connection with another GAO review that involved personnel ceilings, in February 1980, the Chief of the Resources System Branch, OMB, provided GAO representatives with this OMB position on personnel ceilings. "If an agency can not do an adequate job because of its ceiling, it should formally request an increase." OMB says agencies almost never do this. In response to the House Surveys and Investigations Staff to the House Committee on Appropriations February 1980 report on Head Start funding and administration, the Secretary of HHS transmitted comments, by an April 20, 1980, letter to the Chairman, Subcommittee on Labor, Health, Education, and Welfare, House Committee on Appropriations, which included information on staffing and administrative funding. The Secretary of HHS stated that as a result of the evident need for more staff in Head Start and other areas of ACYF, the new Commissioner of ACYF initiated an ACYF-wide staffing analysis. The

Secretary stated that the results of this analysis would lead to the allocation of available staff under the newly reduced employment ceiling to the areas of most critical need. The Secretary also stated that there has been a need to bring more resources to bear on the administration and financial management operation of Head Start programs. The Secretary concluded that "We do expect an improvement in the management of Head Start but do not believe that these additional resources will solve the Head Start staffing shortage."

HHS administrative support of Head Start program has been inadequate according to program personnel

According to officials at headquarters and regional offices, the funding of salaries and expenses to perform Head Start activities was insufficient. The former Commissioner of ACYF told us that the annual Head Start budget for salaries and expenses of about $11.5 million is insufficient, and it is less than 2 percent of the annual Head Start appropriation.

The following table shows the extent of increase in Head Start for salaries and expenses from 1971 to 1974 and the budgeted funding for 1980. From 1975 through 1979, the annual funding of salaries and expenses for Head Start could not be identified separately from the annual funding of salaries and expenses for OHDS.

Fiscal year	Annual Head State funding	Federal Head Start salaries and expenses	Salaries and expenses as a percentage of funding	Cumulative percentage increase	
				Funding	Salaries and expenses
	(millions)				
1971	$354	$ 6.55	1.9	-	-
1972	369	7.35	2.0	4.5	12.2
1973	392	8.66	2.2	11.0	32.2
1974	392	8.66	2.2	11.0	32.2
1980	735	a/11.50	1.6	107.6	75.6

a/Estimate.

Salaries represent about 80 percent of the total salaries and expenses for Head Start, and travel represents the next highest expense item. Personnel ceilings limit the funding level for salaries. Presidential directives also limit the funding level for travel. For example, OMB bulletin No. 80-3, dated November 16, 1979, was issued to executive departments and establishments to reduce 1980 obligations for travel and transportation by 8 percent. An official of the OHDS Budget Office told us that travel funding has been insufficient since 1971. Several headquarters Head Start representatives told us that they had not been able to visit regional offices because of insufficient travel funds. The Head Start headquarters' travel funding for fiscal years 1978, 1979, and 1980 was $148,464, $125,338, and $115,028, respectively. This represents a 16-percent reduction in travel funding for fiscal year 1979 and an 8-percent reduction for fiscal year 1980.

At one regional office, the regional program director told us that followup trips by community representatives to each grantee for monitoring, technical assistance, and troubleshooting purposes had been canceled during fiscal year 1979 due to lack of travel funds, and that the one annual visit by the community representative to a grantee is not enough. In another region, that has one of the largest grantee workloads in Head Start, insufficient travel funds in fiscal year 1979 caused a reduction in the number of visits made by community representatives to grantees during the year.

Head Start headquarters' officials expressed concern that they have no input into the formulation of the annual budget for salaries and expenses since it is developed at a higher level of OHDS, and it is based on the prior year's fiscal experience, with reductions in travel, printing, etc., being made at the OHDS level.

Lack of staff utilization studies

The last staff utilization study made by OHDS was a "Report on Manpower Utilization Survey of OCD," dated September 30, 1974. This survey included Head Start. The former Commissioner of ACYF told us that the 1978 reorganization of ACYF was not based on any staff analysis or staff utilization study performed by OHDS. The February 1980 report of the House Surveys and Investigations Staff included a statement by the former Head Start Bureau Chief that no studies had been made of staffing requirements and that it was his belief that more staff and funding was essential to effectively administer the Head Start program. 1/

1/Ibid., page 21.

Conclusions

Since 1972, the responsibilities and administrative workloads of Head Start staff have increased dramatically. However, staffing levels, and funding for salaries and expenses have not kept pace. We recognize the enormous size and complexity of the HHS organization, in which numerous programs compete for limited funds, and the possibility that some programs will be unsuccessful in obtaining increased administrative support. Although we did not assess Head Start's use of existing staff, based on the problems identified, we believe HHS should determine the adequacy of the existing work force and other resources.

Recommendations of the Secretary of HHS

We recommend that the Secretary direct the Assistant Secretary for OHDS to determine the staffing and administrative requirements needed for the Head Start program, and if the Assistant Secretary finds that the Head Start program does not have the resources it needs, and if resources can be made available we recommend that the Secretary furnish the staff and other resources necessary for the program to carry out its responsibilities.

GRANTEES AND HHS REGIONAL OFFICES VISITED BY GAO

Head Start grantees

Adams County Head Start, Brighton, Colorado.
Boulder County Head Start, Boulder, Colorado.
Butte Silver Bow Anti-Poverty Council, Inc., Butte, Montana.
Child Start, Inc./Head Start, Missoula, Montana.
Colorado West Community Action Program, Grand Junction, Colorado.
Community Action Pittsburgh, Inc., Pittsburgh, Pennsylvania.
Community Action Program, Salt Lake City, Utah.
Deerlodge County Head Start, Anaconda, Montana.
Head Start of Colorado Springs, Inc., Colorado Springs, Colorado.
Jefferson County Committee for Economic Opportunity, Birmingham, Alabama.
Lift, Inc., Tupelo, Mississippi.
Mississippi Action for Progress, Inc., Jackson, Mississippi.
Ravalli County Head Start, Hamilton, Montana.
Rocky Mountain Development Council, Helena, Montana.
Sioux Falls School District, Sioux Falls, South Dakota.
South Central Community Action Program, Lake Andes, South Dakota.
Tri-County Development Corporation, Guernsey, Wyoming.
University of South Dakota, Vermillion, South Dakota.
Urban Services Agency, Baltimore, Maryland.
Yazoo Community Action, Inc., Yazoo City, Mississippi.

HHS regional offices

Region III - Philadelphia, Pennsylvania.
Region IV - Atlanta, Georgia.
Region VII - Kansas City, Missouri.
Region VIII - Denver, Colorado.
Region IX - San Francisco, California.

APPENDIX II

ESTIMATED UNMET NEEDS BY STATES

State	Number of poverty children: Total (note a)	Number of poverty children: Served by end of fiscal year 1978 (note a)	Number of poverty children: Not served by Head Start (note b)	Budgeted average cost per Head Start child (fiscal year 1979) (note c)	Estimated cost to serve unmet need (fiscal year 1979) (note b)
Alabama	42,310	8,802	33,508	$1,481	$ 49,625,348
Alaska	1,880	800	1,080	2,266	2,447,280
Arizona	21,780	2,778	19,002	1,723	32,740,446
Arkansas	27,920	5,158	22,762	1,328	30,227,936
California	178,640	23,063	155,577	2,213	344,291,901
Colorado	12,930	4,135	8,795	1,526	13,421,170
Connecticut	17,110	3,942	13,168	1,320	17,381,760
Delaware	3,150	737	2,413	1,659	4,003,167
District of Columbia	6,520	1,665	4,855	2,747	13,336,685
Florida	70,100	10,312	59,788	1,445	86,393,660
Georgia	68,540	8,365	60,175	1,556	93,632,300
Hawaii	5,530	1,073	4,457	2,328	10,375,896
Idaho	5,780	930	4,850	1,829	8,870,650
Illinois	98,640	18,801	79,839	1,595	127,343,205
Indiana	30,020	5,435	24,585	1,462	35,943,270
Iowa	12,410	2,721	9,689	1,459	14,136,251
Kansas	11,330	2,520	8,810	1,594	14,043,140
Kentucky	36,720	9,522	27,198	1,372	37,315,656
Louisiana	48,970	8,339	40,631	1,374	55,826,994
Maine	6,930	1,403	5,527	1,680	9,285,360
Maryland	21,940	4,156	17,784	1,832	32,580,288
Massachusetts	41,160	6,690	34,470	1,987	68,491,890
Michigan	63,720	16,700	47,020	1,359	63,900,180
Minnesota	20,640	3,875	16,765	1,465	24,560,725
Mississippi	37,230	29,879	7,351	1,490	10,952,990
Missouri	34,490	8,327	26,163	1,389	36,340,407
Montana	6,690	961	5,729	1,740	9,968,460
Nebraska	9,570	1,633	7,937	1,557	12,357,909
Nevada	4,190	380	3,810	2,049	7,806,690
New Hampshire	4,840	651	4,189	1,913	8,013,557
New Jersey	54,060	7,319	46,741	2,182	101,988,862
New Mexico	16,640	3,386	13,254	1,056	13,996,224
New York	119,100	16,044	103,056	2,626	270,625,056
North Carolina	50,910	9,438	41,472	1,456	60,383,232
North Dakota	2,820	435	2,385	1,312	3,129,120
Ohio	84,940	18,024	66,916	1,335	89,332,860
Oklahoma	23,600	6,546	17,054	1,216	20,737,664
Oregon	14,390	2,375	12,015	1,903	22,864,545

APPENDIX II

State	Number of poverty children: Total (note a)	Served by end of fiscal year 1978 (note a)	Not served by Head Start (note b)	Budgeted average cost per Head Start child (fiscal year 1979) (note c)	Estimated cost to serve unmet need (fiscal year 1979) (note b)
Pennsylvania	74,910	12,730	62,180	1,917	119,199,060
Rhode Island	6,350	1,155	5,195	$1,606	$ 8,343,170
South Carolina	22,300	5,974	16,326	1,436	23,444,136
South Dakota	5,360	782	4,578	1,547	7,082,166
Tennessee	26,360	8,444	17,916	1,427	25,566,132
Texas	131,450	18,298	113,152	1,276	144,382,952
Utah	9,130	1,364	7,766	1,491	11,579,106
Vermont	4,200	794	3,406	1,737	5,916,222
Virginia	32,850	4,380	28,470	1,826	51,986,220
Washington	19,130	3,642	15,488	1,708	26,453,504
West Virginia	15,200	3,531	11,669	1,592	18,577,048
Wisconsin	25,370	5,011	20,359	1,548	31,515,732
Wyoming	2,160	536	1,624	1,599	2,596,776
Puerto Rico	144,810	13,570	131,240	1,762	231,244,880
Total	1,837,720	337,531	1,500,189		$2,566,558,838
(percent)	100	18	82		

a/Source: A May 1978 report prepared by the Subcommittee on Employment, Poverty, and Migratory Labor; Senate Committee on Labor and Human Resources.

b/Source: GAO computations.

c/Source: Documents prepared by ACYF.

APPENDIX III

ESTIMATED AVERAGE COST PER CHILD IN HEAD START

FULL YEAR AND PARENT AND CHILD CENTERS

State	Annual cost per child fiscal year 1980	Annual cost per child fiscal year 1981
Alabama	$1,604	$1,731
Alaska	2,579	2,783
Arizona	1,931	2,084
Arkansas	1,490	1,608
California	2,442	2,635
Colorado	1,688	1,821
Connecticut	1,580	1,705
Delaware	1,822	1,966
District of Columbia	3,088	3,332
Florida	1,662	1,793
Georgia	1,688	1,821
Hawaii	2,589	2,794
Idaho	1,935	2,088
Illinois	1,785	1,926
Indiana	1,634	1,763
Iowa	1,636	1,765
Kansas	1,792	1,934
Kentucky	1,572	1,696
Louisiana	1,532	1,653
Maine	1,906	2,057
Maryland	2,053	2,215
Massachusetts	2,233	2,409
Michigan	1,543	1,665
Minnesota	1,611	1,738
Mississippi	1,680	1,813
Missouri	1,569	1,693
Montana	1,950	2,104
Nebraska	1,746	1,884
Nevada	2,213	2,388
New Hampshire	2,199	2,373
New Jersey	2,444	2,637
New Mexico	1,183	1,276
New York	2,950	3,183
North Carolina	1,638	1,767
North Dakota	1,376	1,485
Ohio	1,474	1,590
Oklahoma	1,376	1,485
Oregon	2,145	2,314
Pennsylvania	2,132	2,300
Puerto Rico	1,975	2,131
Rhode Island	1,805	1,948
South Carolina	1,668	1,800

APPENDIX III

State	Annual cost per child fiscal year 1980	Annual cost per child fiscal year 1981
South Dakota	$1,625	$1,753
Tennessee	1,586	1,711
Utah	1,613	1,740
Vermont	1,947	2,101
Virginia	2,096	2,262
West Virginia	1,791	1,932
Wisconsin	1,693	1,827
Wyoming	1,791	1,932

Source: Documents prepared by ACYF.

DISTRIBUTION OF ANNUAL HEAD START FUNDING (note a)

Year	Head Start projects	Training and technical assistance	Research and demonstration	Evaluation	Special handicapped project	Special projects/ other	Total
1971	$328,000	$18,000	$ 5,000	$2,500	-	-	$353,500
Percent	92.8	5.1	1.4	0.7			100
1972	342,708	18,000	5,792	3,000	-	-	369,500
Percent	92.7	4.9	1.6	0.8			100
1973	363,792	19,150	6,258	3,000	-	-	b/392,200
Percent	92.8	4.9	1.6	0.7			100
1974	363,792	19,150	6,258	3,000	-	-	392,200
Percent	92.8	4.9	1.6	0.7			100
1975	412,500	19,500	6,000	3,000	-	-	441,000
Percent	93.5	4.4	1.4	0.7			100
1976	423,382	19,510	4,835	3,373	$1,500	$1,900	454,500
Percent	93.3	4.3	1.1	0.7	0.3	0.4	100
1977	443,882	19,150	4,835	3,373	1,500	2,260	475,000
Percent	93.5	4	1	0.7	0.3	0.5	100
1978	587,049	26,160	6,767	3,374	1,650	-	625,000
Percent	93.9	4.2	1.1	0.5	0.3		100
1979	640,969	22,740	10,767	3,874	1,650	-	680,000
Percent	94.3	3.3	1.6	0.6	0.2		100
1980	693,000	25,000	10,800	4,400	1,800	-	735,000
Percent	94.3	3.4	1.5	0.6	0.2		100

a/Source: Documents prepared by ACYF.

b/Original appropriation was $407.6 million, but was reduced by subsequent rescission of $15.4 million.

APPENDIX IV

MAJOR HEAD START REPORTS AND OTHER DATA COLLECTION INSTRUMENTS

Report name	Required form	Type of information	Report purpose	Preparation frequency	Period covered	Submitted to
Program Information Report	Each grantee and delegate agency	Characteristics of program, staff, and children. Funds received and costs incurred. Operating statistics by component.	For use by ACYF and Head Start management to make programmatic and management decisions.	Twice yearly	1. July 1 to December 31. 2. January 1 to June 30.	ACYF headquarters Washington, D.C.
SAVI	Each grantee	Reports "in" or "out" of compliance with each of 162 Head Start program performance standards.	Aids grantee and Head Start regional management to (1) assess compliance with performance standards and (2) develop strategies for bringing grantees into compliance.	Grantees prepare annually. Regional offices validate periodically—usually every 3rd year.	No specific period. SAVI is used to assess extent of program standards compliance currently.	HHS regional offices
Annual Audit Report	Each grantee and delegate agency	Financial statements and Schedule of Recommended Cost Disallowances. Comments on compliance with certain administrative requirements. Auditor's opinion certificate.	To assure grantee and HHS regional management that grant funds are being accounted for and used for approved purposes.	Annually. Report due 4 months after close of the budget year.	One fiscal year.	HHS regional offices
Financial Status Report	Each grantee	Current quarter and year-to-date status of grant funds for each program account.	To assist regional grants management in monitoring the status of grantee funds.	Each quarter during fiscal year. Yearend fiscal report.	Each fiscal quarter. Fiscal year.	Regional OHD grants management and budget office
Questionnaire on Head Start Handicapped Efforts	Each grantee and delegate agency	Data about handicap enrollment, disabilities staffing, training, physical facilities, and other local project characteristics.	To provide data for (1) preparing the annual report to the Congress and (2) planning and developing the program for handicapped children.	Annual, due March 31 of current program year.	One program year.	ACYF headquarters Washington, D.C.

APPENDIX V

COMPARISON OF ORGANIZATION IN HEADQUARTERS AT JANUARY 1973 AND FEBRUARY 29, 1980

January 1973	February 29, 1980
	Office of Associate Director/Office of Development Services
Project Head Start	
Acting Chief Program Inspection Officer Public Information Officer Administrative Aide Secretaries (3) Subtotal - 7 positions	Associate Director Secretaries (3) Deputy Director - Vacant Program Analyst Subtotal - 6 positions (1 vacant)
Program Management Division	Program Management and Operations Division
Chief - Vacant Program Analysts (2) Secretaries (2) Subtotal - 5 positions (1 vacant)	Chief Program Analysts (4) Secretaries (2) Education Specialist Subtotal - 8 positions
Career Development & Time Attendance Division	
Chief Education Specialist Training Specialists (3) - (1 vacant) Program Analysts (2) Program Specialist Secretaries (3) - (1 vacant) Subtotal - 11 positions (2 vacant)	This division was abolished, and its positions were transferred into the Program Management Division in 1975, which subsequently was reorganized in October 1978 into two divisions: (Program Management & Operations Division and Program Analysis Division. Two positions were lost (16 reduced to 14 positions).
	Program Analysis Division
	Chief - Vacant Program Analyst - Vacant Program Specialist Program Assistant Administrative Aide Secretary - Vacant Subtotal - 6 positions (3 vacant)

APPENDIX VI

January 1973	February 29, 1980
Parent & Child Centers Division	
Chief Program Specialists (3) - 1 vacant Secretary Clerk Typist Subtotal - 6 positions (1 vacant)	This division was abolished in 1975, and the six positions were transferred to two other divisions: Indian & Migrant Program Division and Program Development & Innovation Division.
IMPD	IMPD
Chief Migrant Coordinator Community Representatives (3) Secretary Clerk Subtotal - 7 positions	Chief Migrant Coordinator - Vacant Community Representatives (7) Secretary Clerks (3) Subtotal - 13 positions (1 vacant)
Program Development & Innovation Division	Development and Planning Division
Chief Medical Officer Education Officer Nutritionist - Vacant Psychologist - Vacant Parent Involvement/Social Services Officer - Vacant Program Specialist - Head Start Health Program Specialist - Vacant Education Program Specialist Program Specialist - Volunteer Services Program Analysts (2) - (1 vacant) Interns (2) Secretaries (5) - (1 vacant) Subtotal - 19 positions (6 vacant) Total Authorized Positions - 55 (10 vacant)	Chief Medical Officer - Vacant Education Officer Nutritionist Parent Involvement/Social Services Officer Program Specialist - Head Start - Vacant Health Program Specialists (2) Education Program Specialists (4) Program Specialist - Volunteer Services Program Analysts (2) Program Specialist - Training Secretaries (6) - (2 vacant) Subtotal - 22 positions (4 vacant) Total Authorized Positions - 55 (9 vacant)

PREVIOUS GAO REPORTS ON THE HEAD START PROGRAM

"Federal Programs for the Benefit of Disadvantaged Preschool Children, Los Angeles, California" (Feb. 14, 1969, B-157356)

"Review of Economic Opportunity Programs" (Mar. 18, 1969, B-130515)

"Project Head Start: Achievements and Problems" (May 20, 1975, B-164031(1), MWD-75-51)

"Services to Indian Head Start Grantees Under a Special Program" (Nov. 4, 1976, B-164031(1))

"Early Childhood and Family Development Programs Improve the Quality of Life for Low-Income Families" (Feb. 6, 1979, B-164031(1))

(104091)